



Iran: U.S. Concerns and Policy Responses

Kenneth Katzman

Specialist in Middle Eastern Affairs

June 22, 2009

Congressional Research Service

7-5700

www.crs.gov

RL32048

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 22 JUN 2009		2. REPORT TYPE		3. DATES COVERED 00-00-2009 to 00-00-2009	
4. TITLE AND SUBTITLE Iran: U.S. Concerns and Policy Responses				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Congressional Research Service, Library of Congress, 101 Independence Ave., SE, Washington, DC, 20540-7500				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 70	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Summary

President Obama has said his Administration shares the goals of the previous Administration to contain Iran's strategic capabilities and regional influence, but the Obama Administration has formulated approaches to achieve those goals that differ from those of its predecessor—in particular through expanded direct diplomatic engagement with Iran. This effort has begun to be put in practice with messages to the Iranian people by President Obama, and through a growing number of invitations to and contact with Iranian diplomats at multilateral meetings, including those on Iran's nuclear program. The Administration also has de-emphasized policies that have angered Iranian leaders including: ratcheting up international sanctions, efforts to promote democracy in Iran, and the potential for U.S. military action. In May 2009, President Obama said his Administration might renew the previous focus on sanctioning and pressuring Iran if, by the end of 2009, Iran does not show signs of willingness to compromise. Bills in the 111th Congress, such as H.R. 2194 and S. 908, would tighten U.S. sanctions on Iran by amending the Iran Sanctions Act to penalize sales to Iran of gasoline.

Before Iran's June 12, 2009, presidential elections, there was debate over whether the new approaches would yield clear results. The U.S. strategy has been further complicated by the allegations of a "stolen election" by the challengers to declared election winner, incumbent President Mahmoud Ahmadinejad, and the large protests held to demand a new vote. Administration officials say that U.S. goals have not been altered by the election and President Obama, while criticizing Iran's use of violence against protesters, has not announced any changes in policy toward Iran. Congress has passed resolutions that express solidarity with the demonstrators and condemn the regime's repression of them.

The Obama Administration has not changed the previous Administration's characterization of Iran as a "profound threat to U.S. national security interests," a perception generated primarily by Iran's nuclear program and its military assistance to armed groups in Iraq and Afghanistan, to the Palestinian group Hamas, and to Lebanese Hezbollah. The U.S. policy approach was to try to prevent a nuclear breakout by Iran primarily by applying progressive multilateral economic pressure on Iran while also offering it potential cooperation should it comply with the international demands to suspend its enrichment of uranium. Multilateral efforts to pressure Iran include three U.N. Security Council resolutions (1737, 1747, and 1803) that ban weapons of mass destruction (WMD)-related trade with Iran; freeze the assets of Iran's nuclear and related entities and personalities; prevent Iran from transferring arms outside Iran; ban or require reporting on international travel by named Iranians; call for inspections of some Iranian sea and airborne cargo shipments; and call for restrictions on dealings with some Iranian banks. Separate U.S. efforts to persuade European governments to curb trade, investment, and credits to Iran; and to convince foreign banks not to do business with Iran, began to weaken Iran's economy, compounding the effect of a sharp drop in oil prices since mid-2008. To emphasize its approach, the George W. Bush Administration maintained a substantial naval presence in the Persian Gulf.

This report is updated regularly. For further information, see CRS Report RS20871, *The Iran Sanctions Act (ISA)*, by Kenneth Katzman, CRS Report RS22323, *Iran's Activities and Influence in Iraq*, by Kenneth Katzman, and CRS Report RL34544, *Iran's Nuclear Program: Status*, by Paul K. Kerr.

Contents

Political History	1
Regime Structure, Stability, and Elections	2
The Supreme Leader, His Powers, and Other Ruling Councils	2
The Presidency/Mahmoud Ahmadinejad	4
Ahmadinejad's Policies and Popularity	5
June 12, 2009, Presidential Elections	7
Election Outcome and Aftermath	7
Human Rights and Dissent	11
Exiled Opposition Groups: People's Mojahedin Organization of Iran (PMOI)/Camp Ashraf	13
Other Armed Groups	15
The Son of the Former Shah	15
Other Activists	15
Iran's Strategic Capabilities and Weapons of Mass Destruction Programs	15
Conventional Military/Revolutionary Guard/Qods Force	16
Nuclear Program and International Sanctions	18
Iran's Arguments and the International Response	19
Establishment of "P5+1" Contact Group/June 2006 Incentive Package	21
Resolution 1696	21
Resolution 1737	22
Resolution 1747 and Results	22
Resolution 1803 and Additional Incentives	22
Resolution 1835	23
The P5+1 Process Under President Obama	24
Chemical Weapons, Biological Weapons, and Missiles	25
Ballistic Missiles/Warheads	25
Foreign Policy and Support for Terrorist Groups	26
Relations with the Persian Gulf States	27
Iranian Policy in Iraq	29
Supporting Palestinian Militant Groups	30
Iran and Hamas	30
Lebanese Hezbollah and Syria	31
Syria	33
Central Asia and the Caspian	33
Afghanistan and Pakistan	33
Pakistan	35
Al Qaeda	35
Latin America	36
India	36
Africa	36
U.S. Policy Responses, Options, and Legislation	37
Policy During the Clinton and George W. Bush Administrations	37
George W. Bush Administration Policy	38
Overview of Obama Administration Policy	38
Implementation of the Engagement Policy	39

Enhanced U.S. Interests Section	40
Engagement Efforts During the George W. Bush Administration	40
“Grand Bargain Concept”	41
Containment and Possible Military Action	41
An Israeli Strike?	42
Iranian Retaliatory Scenarios	42
Containment and the Gulf Security Dialogue	43
Presidential Authorities and Legislation	44
Regime Change	44
Democracy Promotion Efforts	45
Funding	46
Further International and Multilateral Sanctions	47
European/Japanese/Other Foreign Country Policy on Sanctions and Trade	
Agreements	49
World Bank Loans	50
U.S. Sanctions	51
Terrorism/Foreign Aid Sanctions	51
Proliferation Sanctions	52
Targeted Financial Measures by Treasury Department	53
U.S. Ban on Trade and Investment with Iran	54
The Iran Sanctions Act (ISA)	56
Counter-Narcotics	57
Travel-Related Guidance	57
Status of Some U.S.-Iran Assets Disputes	57
Conclusion	58

Figures

Figure 1. Structure of the Iranian Government	59
Figure 2. Map of Iran	60

Tables

Table 1. Major Factions and Personalities	3
Table 2. Factions in the Eighth Majles	6
Table 3. Selected Economic Indicators	10
Table 4. Human Rights Practices	11
Table 5. The Revolutionary Guard	17
Table 6. Iran’s Conventional Military Arsenal	18
Table 7. Summary of Provisions of U.N. Resolutions on Iran Nuclear Program (1737, 1747, and 1803)	24
Table 8. Iran’s Ballistic Missile Arsenal	26
Table 9. Iran Democracy Promotion Funding	47

Table 10. Entities Sanctioned Under U.N. Resolutions and U.S. Laws and Executive Orders.....	61
--	----

Contacts

Author Contact Information	65
----------------------------------	----

Much of the debate over U.S. policy toward Iran has centered on the nature of the current regime; some believe that Iran, a country of about 70 million people, is a threat to U.S. interests because hardliners in Iran's regime dominate and set a policy direction intended to challenge U.S. influence and allies in the region. President George W. Bush, in his January 29, 2002, State of the Union message, labeled Iran part of an "axis of evil" along with Iraq and North Korea.

Political History

The United States was an ally of the late Shah of Iran, Mohammad Reza Pahlavi ("the Shah"), who ruled from 1941 until his ouster in February 1979. The Shah assumed the throne when Britain and Russia forced his father, Reza Shah Pahlavi (Reza Shah), from power because of his perceived alignment with Germany in World War II. Reza Shah had assumed power in 1921 when, as an officer in Iran's only military force, the Cossack Brigade (reflecting Russian influence in Iran in the early 20th century), he launched a coup against the government of the Qajar Dynasty. Reza Shah was proclaimed Shah in 1925, founding the Pahlavi dynasty. The Qajars had been in decline for many years before Reza Shah's takeover. That dynasty's perceived manipulation by Britain and Russia had been one of the causes of the 1906 constitutionalist movement, which forced the Qajars to form Iran's first Majles (parliament) in August 1906 and promulgate a constitution in December 1906. Prior to the Qajars, what is now Iran was the center of several Persian empires and dynasties, but whose reach shrunk steadily over time. Since the 16th century, Iranian empires lost control of Bahrain (1521), Baghdad (1638), the Caucasus (1828), western Afghanistan (1857), Baluchistan (1872), and what is now Turkmenistan (1894). Iran adopted Shiite Islam under the Safavid Dynasty (1500-1722), which brought Iran out from a series of Turkic and Mongol conquests.

The Shah was anti-Communist, and the United States viewed his government as a bulwark against the expansion of Soviet influence in the Persian Gulf and a counterweight to pro-Soviet Arab regimes and movements. Israel maintained a representative office in Iran during the Shah's time and the Shah supported a peaceful resolution of the Arab-Israeli dispute. In 1951, under pressure from nationalists in the Majles (parliament) who gained strength in the 1949 Majles elections, he appointed a popular nationalist parliamentarian, Dr. Mohammad Mossadeq, as Prime Minister. Mossadeq was widely considered left-leaning, and the United States was wary of his policies, which included his drive for nationalization of the oil industry. Mossadeq's followers began an uprising in August 1953 when the Shah tried to dismiss Mossadeq, and the Shah fled. The Shah was restored in a successful CIA-supported uprising against Mossadeq.

The Shah tried to modernize Iran and orient it toward the West, but in so doing he also sought to marginalize Iran's Shiite clergy. He exiled Ayatollah Ruhollah Khomeini in 1964 because of Khomeini's active opposition, which was based on the Shah's anti-clerical policies and what Khomeini alleged was the Shah's forfeiture of Iran's sovereignty to the United States. Khomeini fled to and taught in Najaf, Iraq, a major Shiite theological center that contains the Shrine of Imam Ali, Shiism's foremost figure. There, he was a peer of senior Iraqi Shiite clerics and, with them, advocated direct clerical rule or *velayat-e-faqih* (rule by a supreme Islamic jurisprudent). In 1978, three years after the March 6, 1975, Algiers Accords between the Shah and Iraq's Baathist leaders, which settled territorial disputes and required each party to stop assisting each other's oppositionists, Iraq expelled Khomeini to France, from which he stoked the Islamic revolution. Mass demonstrations and guerrilla activity by pro-Khomeini forces, allied with a broad array of anti-Shah activists, caused the Shah's government to collapse in February 1979. Khomeini

returned from France and, on February 11, 1979, declared an Islamic Republic of Iran, as enshrined in the constitution that was adopted in a public referendum in December 1979 (and amended in 1989). Khomeini was strongly anti-West and particularly anti-U.S., and relations between the United States and the Islamic Republic turned hostile even before the November 4, 1979, seizure of the U.S. Embassy by pro-Khomeini radicals.

Regime Structure, Stability, and Elections

About a decade after founding the Islamic republic, Ayatollah Ruhollah Khomeini died on June 3, 1989. The regime he established—enshrined in an Islamic republican constitution adopted in 1980 and amended in 1989—consists of some elected and some appointed positions. It has appeared relatively stable, but, even before the June 12, 2009, presidential election, faced periodic but low-level unrest in areas inhabited by minorities, and substantial unpopularity among many intellectuals, students, some labor groups, and women. Although Iran's is widely considered to be an authoritarian regime, the various centers of power are able, politically and constitutionally, to offer a degree of checks and balances and popular input. National elections under the Islamic republic have always been held, and on time, even during the eight year Iran-Iraq war, although there are limitations on who can run and the election process is run by the government.

The Supreme Leader, His Powers, and Other Ruling Councils

Upon Khomeini's death, one of his disciples, Ayatollah Ali Khamene'i, was selected Supreme Leader by an elected 86-seat "*Assembly of Experts*."¹ The Assembly of Experts is empowered to oversee the work of the Supreme Leader and replace him if necessary, as well as to amend the constitution. The Assembly serves a six-year term; the fourth election for that Assembly was held on December 15, 2006. After that election, Akbar Hashemi-Rafsanjani, still a major figure having served two terms as president himself (1989-1997), was named deputy leader of the Assembly. After the death of the leader of the Assembly, Rafsanjani was selected its head in September 2007, outpointing a harder line competitor, Ayatollah Ahmad Jannati. (*A chart on the Iranian regime is at the end of this paper.*)

Khamene'i has vast formal powers as Supreme Leader—he is Commander in Chief of the armed forces, giving him the power to appoint commanders and to be represented on the highest national security body, the Supreme National Security Council, composed of top military and civilian security officials. He appoints half of the twelve-member *Council of Guardians*;² and the members of Iran's Supreme Judicial Council, but he does not appoint the cabinet, which is named by the President and confirmed by the Majles (parliament). Headed by Jannati, the conservative-controlled Council of Guardians reviews legislation to ensure it conforms to Islamic law, and it screens election candidates and certifies elections results. The Supreme Leader also has the power, under the constitution, to remove the elected President if either the Supreme Judicial Council or the elected *Majles* (parliament) say the President should be removed, with cause. The Supreme Leader appoints members of the 42-member *Expediency Council*, set up in 1988 to resolve legislative disagreements between the *Majles* and the Council of Guardians but the

¹ The Assembly also has the power to amend Iran's constitution.

² The Council of Guardians consists of six Islamic jurists and six secular lawyers. The six Islamic jurists are appointed by the Supreme Leader. The six lawyers on the Council are selected by the judiciary but confirmed by the Majles.

powers of which have been expanded to include oversight of the executive branch (cabinet) performance. Expediency Council members serve five-year terms. The Council, appointed most recently in February 2007, is still headed by Rafsanjani; its executive officer is former Revolutionary Guard commander-in-chief Mohsen Reza'i.

Table I. Major Factions and Personalities

Conservatives	
Supreme Leader Ali Khamene'i	Born in July 1939 to an Azeri (Turkic) family from Mashhad. Lost the use of his right arm in an assassination attempt in June 1981. Helped organize the Revolutionary Guard and other post-revolution security organs. Served as elected president during 1981-1989 and was selected Khomeini's successor in June 1989 upon the Ayatollah's death. Upon that selection, his religious ranking was advanced in the state-run press and official organs to "Ayatollah" from the lower ranking "Hojjat ol-Islam." Has all the formal powers but not the undisputed authority of his predecessor, founder of the revolutionary regime Ayatollah Ruhollah Khomeini. Like Khomeini, Khamene'i generally stays out of day-to-day governmental business but saves his prestige to resolve factional disputes or to quiet popular criticism of regime performance. Considered moderate-conservative on domestic policy but hardline on foreign policy and toward Israel. Seeks to challenge U.S. hegemony and wants Israel defeated but respects U.S. military power and fears military confrontation with United States. Generally supports the business community (bazaaris), and opposes state control of the economy.
Ali Akbar Hashemi-Rafsanjani	Long a key strategist of the regime, and longtime advocate of "grand bargain" to resolve all outstanding issues with United States, although on Iran's terms. A mid-ranking cleric, now leads both Expediency Council and Assembly of Experts, although generally perceived as waning in influence generally. Heads moderate-conservative faction known as Executives of Construction. Was Majles speaker during 1981-89 and President 1989-1997. One of Iran's richest men, family owns large share of Iran's total pistachio nut production. Supported Musavi in June 2009 election, purportedly financed much of his campaign. Playing behind-the-scenes role trying to persuade Supreme Leader to nullify the June 2009 election, but arrest of five family members on June 20, 2009, reflects Supreme Leader's pressure on him.
President Mahmoud Ahmadinejad	Re-elected on June 12, 2009, but results disputed by his election challengers. See box .
Majles Speaker Ali Larijani	Overwhelming winner for Majles seat from Qom on March 14, 2008, and selected Majles Speaker on May 25 (237 out of 290 votes). Former state broadcasting head (1994-2004) and Minister of Culture and Islamic Guidance (1993) , was head of Supreme National Security Council and chief nuclear negotiator from August 2005 until October 2007 resignation. Sought to avoid U.N. Security Council isolation. Politically close to Khamene'i but has criticized election officials for the flawed June 12, 2009, election.
Mohammad Baqer Qalibaf	Former Revolutionary Guard Air Force commander and police chief, but a moderate-conservative. Encourages comparisons of himself to Reza Shah, invoking an era of stability and strong leadership, while also making use of modern media tools. Lost in the 2005 presidential elections, but supporters won nine out of 15 seats on Tehran city council in December 2006 elections, propelling him to current post as mayor of Tehran. Recruited moderate conservatives for March 2008 Majles election.
Ayatollah Mohammad Taqi Mesbah-Yazdi	Founder of the hardline Haqqani school, and spiritual mentor of Ahmadinejad. Fared poorly in December 2006 elections for Assembly of Experts. An assertive defender of the powers of the Supreme Leader and a proponent of an "Islamic state" rather than the current "Islamic republic," and advocates isolation from the West. May seek to replace Khamene'i.
Ayatollah Mahmud Hashemi Shahrudi	Has headed the Supreme Judicial Council since 1999. Ally of Khamene'i and Rafsanjani, has supported repeated crackdowns on independent media critical of the regime. But, has

Militant Clerics Association	cracked down on judicial corruption and on mistreatment of prisoners. Politically close to Shiite Islamist parties in Iraq, he is hosting Moqtada Al Sadr, the radical young Iraqi cleric who has been studying Islamic theology in Qom since late 2007. Longtime organization of hardline clerics headed by Ayatollah Mohammad Mahdavi-Kani. Not to be confused with an organization with almost the same name, below. Did not back Ahmadinejad in June 12 presidential elections.
Reformists	
Mohammad Khatemi/Mir Hossein Musavi	Reformist president during 1997-2005 and declared he would run again for President in June 2009 elections, but withdrew when allied reformist Mir Hossein Musavi entered the race in late March 2009. Khatemi was elected May 1997, with 69% of the vote; re-elected June 2001 with 77%. Rode wave of sentiment for easing social and political restrictions among students, intellectuals, youths, and women that seeks reform but not outright replacement of the regime. Khatemi supporters held about 70% of the 290 seats in the 2000-2004 Majles. Now heads International Center for Dialogue Among Civilizations. Visited U.S. in September 2006 to speak at Harvard and the Washington National Cathedral on "dialogue of civilizations." Has hewed to staunch anti-Israel line of most Iranian officials, but perceived as open to accepting a Palestinian-Israeli compromise. Musavi has views similar to Khatemi on political and social freedoms and on reducing Iran's international isolation, but supports strong state intervention in the economy to benefit workers, lower classes.
Society of Militant Clerics	Reformist grouping once led by Mehdi Karrubi. Karrubi formed a separate "National Trust" faction after losing 2005 presidential election. Ran again in 2009, but received few votes.
Office of Consolidation Unity (Daftar Tahkim-e-Vahdat)	Staunch reformists. Originally strong Khatemi supporters, but turned against him for failing to challenge hardliners, particularly after July 1999 violent crackdown on student riots, in which four students were killed. Generally dispersed and repressed under Ahmadinejad. Generally supported Karrubi in 2009 elections and supporting post-election protests.
Islamic Iran Participation Front (IIPF).	The most prominent and best organized pro-reform grouping. Its leaders include Khatemi's brother, Mohammad Reza Khatemi (a deputy speaker in the 2000-2004 Majles) and Mohsen Mirdamadi. Backed Musavi in June 12 election; leaders detained in post-election dispute.
Mojahedin of the Islamic Revolution Organization (MIR)	Composed mainly of left-leaning Iranian figures who support state control of the economy, but want greater political pluralism and relaxation of rules on social behavior. A major constituency of the reformist camp. Its leader is former Heavy Industries Minister Behzad Nabavi. Supported Musavi in 2009 election.

The Presidency/Mahmoud Ahmadinejad

The President, a position held since 2005 by Mahmoud Ahmadinejad, runs the cabinet, which he appoints, subject to parliament's (*Majles*) confirmation. Although subordinate to the Supreme Leader, the presidency is a coveted and intensely fought-over position which provides vast opportunities for the President to empower and enrich his political base.

After suffering several election defeats at the hands of Mohammad Khatemi and the reformists during 1997-2000—the conservative camp successfully moved to regain the sway they held when Khomeini was alive. The conservatives won the February 20, 2004, Majles elections, although that was largely the result of the Council of Guardians' disqualification of 3,600 reformist candidates, including 87 members of the Majles. Conservatives won about 155 out of the 290 seats on turnout of about 51%. The George W. Bush Administration and the Senate (S.Res. 304, adopted by unanimous consent on February 12, 2004) criticized the elections as unfair.

As the reformist faction suffered setbacks, the Council of Guardians narrowed the field of candidates for the June 2005 presidential elections to 8 out of the 1,014 persons who filed. Rafsanjani³ was considered the favorite against several opponents more hardline than he is—three had ties to the Revolutionary Guard: Ali Larijani (see **Table 1**); Mohammad Baqer Qalibaf (see **Table 1**); and Tehran mayor Mahmoud Ahmadinejad. In the June 17, 2005 first round, turnout was about 63% (29.4 million votes out of 46.7 million eligible voters). With 21% and 19.5%, respectively, Rafsanjani and Ahmadinejad, who did unexpectedly well because of tacit backing from Khamene'i, moved to a run-off. Reformist candidates Mehdi Karrubi and Mostafa Moin fared worse than expected. Ahmadinejad won in the June 24 runoff, receiving 61.8% to Rafsanjani's 35.7%. He took office on August 6, 2005.

Ahmadinejad's Policies and Popularity

Ahmadinejad has been a controversial figure for statements often perceived as inflammatory. He notably attracted opprobrium at an October 26, 2005, Tehran conference entitled "A World Without Zionism" by stating that "Israel should be wiped off the map." Another point of contention was his insistence on the holding of a December 2006 conference in Tehran questioning the Holocaust, a theme he has returned to several times since, including at a September 2007 speech at Columbia University. A U.N. Security Council statement and Senate and House resolutions (H.Res. 523 and S.Res. 292), passed by their respective chambers, condemned the statement. On June 21, 2007, the House passed H.Con.Res. 21, calling on the United Nations Security Council to charge Ahmadinejad with violating the 1948 Convention on the Prevention and Punishment of the Crime of Genocide; the Convention includes "direct and public incitement" to commit genocide as a punishable offense.

Even before the 2009 presidential election campaign, several Iranian leaders, and portions of the population, were expressing concern that Ahmadinejad's defiance of the international community on the nuclear issue—as well as his frequent visits and meetings with such anti-U.S. figures as Venezuela's Hugo Chavez — is isolating Iran. The perceived failings of Ahmadinejad caused his conservative faction to split in the March 2008 Majles elections. On November 4, 2008, the Majles impeached Interior Minister Ali Kordan for falsely claiming he had an Oxford University degree. Sadeq Mahsouli, a former Revolutionary Guard official, was confirmed as replacement on November 18, 2008, and his office oversaw the June 12, 2009, presidential election.

Supreme Leader Khamene'i has issued public statements of support for Ahmadinejad to rally the regime against international pressure. In August 2008, he praised Ahmadinejad for refusing to bow to international demands on the nuclear issue and said the cabinet should make plans for another four years. At other times, such as April 2009, Khamene'i has upbraided Ahmadinejad — in this case for incorporating the position of coordinator of the Hajj (major pilgrimage to Mecca) into the Tourism Ministry; the move was reversed in response to Khamene'i's criticism. Khamene'i was perceived as favoring Ahmadinejad's re-election but, sensing that this outcome was not assured, he stayed publicly neutral in the campaign.

³ Rafsanjani was constitutionally permitted to run because a third term would not have been consecutive with his previous two terms. In the 2001 presidential election, the Council permitted 10 out of the 814 registered candidates.

Table 2. Factions in the Eighth Majles
(Elected March 14-April 25, 2008)

Pro-Ahmadinejad Conservatives (United Front of Principalists)	117
Anti-Ahmadinejad Conservatives (Coalition of Principalists)	53
Reformists (39 seats in eighth Majles)	46
Independents	71
Seats annulled or voided	3

On economic matters, many Iranian figures criticized Ahmadinejad for raising some wages and lowering interest rates for poorer borrowers, cancelling some debts of farmers, and increasing social welfare payments and subsidies. These moves fed inflation, but poorer Iranians saw Ahmadinejad as attentive to their economic plight and this support appears to have been key to his re-election, if the results hold. Iranian economists say that these social welfare programs have caused a diminishment of Iran's reserve fund ("Oil Stabilization Fund") even when oil prices were high in mid-2008, leaving Iran unable to cope with the fall in oil prices. Others say he has not moved to curb the dependence on oil revenues, which account for about 20% of Iran's gross domestic product (GDP), and its extensive imports of refined gasoline. Major economic sectors or markets are controlled by the quasi-statal "foundations" (*bonyads*), run by powerful former officials, and there are special trading privileges for them and the bazaar merchants, a key constituency for some conservatives. The same privileges reportedly apply to businesses run by the Revolutionary Guard, as discussed below.

Ahmadinejad has generally been opposed by affluent and educated urbanites. Urban sentiment against him was belied in protests in November 2008 by bazaar merchants in major cities against the imposition of sales taxation; the protests caused a suspension of the imposition of the tax. Some business owners say the difficulty obtaining credit from foreign banks is hurting their ability to operate. Students have conducted several high-profile anti-Ahmadinejad protests in recent years, most recently in late February 2009 when authorities tried to rebury on Amir Kabir University of Technology grounds the bodies of some killed in the Iran-Iraq war.

Mahmoud Ahmadinejad

First non-cleric to be president of the Islamic republic since the assassination of then president Mohammad Ali Rajai in August 1981. About 55, he campaigned as a "man of the people," the son of a blacksmith who lives in modest circumstances, who would promote the interests of the poor and return government to the principles of the Islamic revolution during the time of Ayatollah Khomeini. Has burnished that image as president through regular visits to poorer, rural areas and through subsidies directed at the lower classes. His official biography says he served with the "special forces" of the Revolutionary Guard, and he served subsequently (late 1980s) as a deputy provincial governor. A part of the "Isargaran" faction composed of former Guard and Basij (volunteer popular forces) leaders and other hardliners. U.S. intelligence reportedly determined he was not one of the holders of the 52 American hostages during November 1979-January 1981. Other accounts say Ahmadinejad believes his mission is to prepare for the return of the 12th Imam—Imam Mahdi—whose return from occultation would, according to Twelver Shiite doctrine, be accompanied by the establishment of Islam as the global religion. Earned clerical criticism in May 2008 for again invoking intervention by Imam Mahdi in present day state affairs. Regularly attends U.N. General Assembly sessions in New York each September. In an October 2006 address, Ahmadinejad said, "I have a connection with God." Sent letter of congratulation to President-elect Barack Obama for his election victory, but has only tepidly backed subsequent Obama Administration outreach initiatives. Declared by Interior Ministry winner of June 12, 2009, election.

June 12, 2009, Presidential Elections

The reformists' prospects in the election appeared to brighten in February 2009, when Khatemi—who feared that his running again would begin a potentially wrenching and divisive political battle between conservatives and reformists—said that he would run. However, on March 18, 2009, Khatemi withdrew from the race when another major reformist, former Prime Minister Mir Hossein Musavi, said he would run. Khatemi backed Musavi enthusiastically.

A total of about 500 candidates for the June 12, 2009, presidential elections registered their names during May 5-10, 2009. The Council of Guardians decide on the final candidates on May 20—permitting only four to run: Ahmadinejad, Mir Hossein Musavi, Mehdi Karrubi, and Mohsen Reza'i. This was, to some extent, different from past elections in which the field consisted of about 8-10 candidates. Forty women registered, but, as in the past, the Council interpreted the constitution as prohibiting women from running for president. They can run for the Majles and other elected jobs, however. The Interior Ministry, which runs the election, also instituted during this campaign season a series of one-on-one debates among the candidates, which were acrimonious, including numerous accusations of corruption and deception. If no candidate received more than 50% of the vote on June 12, there would have been a runoff on June 19.

Aside from Ahmadinejad, the candidates were as follows:

Mir Hosein Musavi. The main reformist candidate. Non-cleric. About 67. Architect and disciple and aide of Ayatollah Khomeini, he served as Foreign Minister (1980), then Prime Minister (1981-89), at which time he successfully managed the state rationing program during the privations of the Iran-Iraq war but often feuded with Khamene'i, who was then President. At that time, he was an advocate of state control of the economy. His post was abolished in the 1989 revision of the constitution. Later moderated his views, and shares much of Khatemi's policy outlook on domestic reforms and social freedoms, and also seeks to avoid confrontation with the international community although he stated strong opposition to U.N.-demanded curbs on Iran's nuclear program during his campaign. Musavi was believed to benefit by having been out of politics since he left the prime ministership in 1989 and was therefore untainted by recent allegations of corruption or crackdown on civil society groups. Musavi's campaign made extensive use of his high profile wife, Zahra Rahnevard, a well-known women's activist and professor.

Mehdi Karrubi. Some feared he might split the reformist vote because of his attentiveness to economic policies that favor the lower classes, but official results showed him a minor factor in the voting.

Mohsen Reza'i. As noted above, he was Commander in Chief of the Revolutionary Guard for almost all of the Iran-Iraq war period. About 57 years old, he is considered an anti-Ahmadinejad conservative. Reza'i dropped out just prior to the 2005 presidential election due to perceived insufficient support, and his results, if they stand, would indicate that he did not build substantial support since then. He attended Khamene'i's June 19 sermon at Tehran University, suggesting he does not plan to participate in an indefinite challenge to the election results.

Election Outcome and Aftermath

The outcome of the election was always difficult to foresee. Polling results taken were inconsistent. Musavi supporters held large rallies in Tehran and elsewhere, suggesting

momentum, although pro-Ahmadinejad rallies were large as well. During the campaign, Khamene'i met with Musavi after his declaration of candidacy and, in mid-May 2009, visited Musavi's father at his home, suggesting neutrality. Both Khamene'i and Musavi are from the same home town (Khamein), although the two were often at odds during the Iran-Iraq war, when Khamene'i was President and Musavi was Prime Minister. Many Iranians appeared to support Ahmadinejad as standing firm against U.S. pressure, and believe Musavi would bow to international pressure on the nuclear issue and on foreign policy.

The vote turnout was unexpectedly high at about 85%: 39.1 million valid (and invalid) votes were cast. The Interior Ministry announced two hours after the polls closed that Ahmadinejad had won, although in the past results have been announced the day after. The totals were announced on Saturday, June 13, 2009, as follows:

Ahmadinejad: 24.5 million votes – 62.6%

Musavi: 13.2 million votes – 33.75%

Reza'i: 678,000 votes – 1.73%

Invalid: 409,000 votes – 1%

Karrubi: 333,600 votes – 0.85%

Musavi supporters began protesting the results on June 13, as he, Karrubi, and Reza'i, asserted outright fraud and called for a new election, citing the premature release of results; the barring of candidate observers at some polling stations; regime shut-down of internet and text services; and repression of post-election protests. That day, Supreme Leader Khamene'i declared the results a "divine assessment," appearing to certify the results even though formal procedures require a three day complaint period after which the Council of Guardians certifies results. Ahmadinejad held post-election rallies and news conferences dismissing fraud complaints, while regime security forces beat some demonstrators in Tehran and other cities. Rafsanjani, discussed above, and a target of Ahmadinejad's corruption allegations during the campaign, was said to be backing the Musavi challenge to the results, reportedly in part by appealing—to date unsuccessfully—to senior clerics (such as Ayatollah Yusuf Sanei and Grand Ayatollah Nasser Makarem Shirazi) to try to pressure Khamene'i to annul the vote. His activities, as well as those of his family members, who were supporting the Musavi effort and the protests, in part caused several Rafsanjani children to be arrested and detained on June 20, 2009.

Some outside analysts say the results appeared to represent widespread fraud.⁴ They question, among other events, how Iranian authorities could count 39 million paper ballots on the same day as the election was held and why the regime would crack down on protest if the results would bear scrutiny. However, others said the announced results were realistic and reflected Ahmadinejad's perceived strong support in rural areas and among the urban poor. Those who take

⁴ A paper published by Chatham House and the University of St. Andrews strongly questions how Ahmadinejad's vote could have been as large as reported by official results, in light of past voting patterns throughout Iran. "Preliminary Analysis of the Voting Figures in Iran's 2009 Presidential Election." www.chathamhouse.org.uk.

this view note that Musavi did win in Tehran city where his popularity was purportedly centered, according to the Interior Ministry's province-by-province results released June 16. In part to address the complaints, the Council of Guardians agreed to review the election, to review the results in 650 polling stations, and, on June 22, it said that in 50 districts, there were more votes counted than the number of voters but that this irregularity did not appear to affect the outcome of the election. The Council also offered to meet with the challenger candidates on June 20, but only Reza'i attended. These moves did not satisfy Musavi supporters who held large but peaceful protest rallies in Tehran and some other cities in succeeding days, some attended by Musavi.

The protest movement's hopes of having Khamene'i annul the election were dashed by Khamene'i's Friday prayer sermon on June 19 in which he refuted allegations of widespread fraud and implicitly threatened a crackdown on any further protests. That crackdown was in evidence against protesters on Saturday, June 20, with state media reporting at least ten killed that day, and outside estimates higher. However, with Musavi calling for continued demonstrations but with exercise of restraint, the protests appeared to die down on June 21 and 22 amid a Revolutionary Guard warning that violence could be used against any demonstrators. The regime's attempts to black out international media and internet access to Iran continues, with mixed success.

The dispute has caused a dilemma for President Obama who has tried to balance non-interference in Iranian affairs (a sensitive issue in Iran) with the need to stress U.S. values of free speech and free assembly. He has steered clear of alleging wholesale fraud in the election by saying that "We weren't on the ground, we did not have observers there, we did not have international observers on hand, so I can't state definitively one way or the other what happened with respect to the election." At the same time, President Obama expressed that U.S. interests on Iran remain the same despite the dispute, and that Administration policy would not be altered by the dispute. Possibly reflecting criticism that the Administration is not strongly siding with the protests, his statements became somewhat more critical following the violence used against demonstrators on June 20, calling on the Iranian government to "stop all violent and unjust actions against its own people." This statement appeared to have been influenced, to some extent by House and Senate passage of resolutions on June 19 (H.Res. 560 and S.Res. 193, respectively), condemning violence against demonstrators and the government's suppression of independent electronic communication. Another resolution passed by the Senate that day, S. Res. 196, calling on the Iranian regime to permit freedom of expression, freedom of speech, and freedom of the press.

Some leaders and pro-Iranian factions—such as in Iraq, of Hamas, of Turkey, of Indonesia, and elsewhere—congratulated Ahmadinejad, while European leaders were critical of the election irregularities and, particularly, of the regime's use of violence against the protesters. Britain, which was singled out by the Supreme Leader's June 19 sermon as an orchestrator of what Khamene'i said is Western meddling in the election dispute, was highly critical of the regime and lodged a formal complaint against the Supreme Leader's assertions. Whether and how the dispute might affect Obama Administration policy is addressed in the section "Implementation of the Engagement Policy," below.

Table 3. Selected Economic Indicators

Economic Growth	6.4% (2008 est.)
Per Capita Income	\$13,100/yr purchasing power parity
Proven Oil Reserves	135 billion barrels (highest after Russia and Canada)
Oil Production/Exports	4.1 million barrels per day (mbd)/ 2.4 mbd exports. Exports could shrink to zero by 2015-2020 due to accelerating domestic consumption.
Major Oil/Gas Customers	China—300,00 barrels per day (bpd); about 4% of China's oil imports; Japan—600,000 bpd, about 12% of oil imports; other Asia (mainly South Korea)—450,000 bpd; Italy—300,000 bpd; France—210,000 bpd; Netherlands 40,000 bpd; other Europe—200,000 bpd; India—150,000 bpd (10% of its oil imports; Africa—200,000 bpd. Turkey—gas: 8.6 billion cubic meters/yr
Refined Gasoline Import/ Suppliers	Imports were \$5 billion value per year in 2006, but now about \$4 billion per year after rationing. Traders and suppliers include: Vitol (Switzerland), which supplies about 30% of Iran's gasoline; Total (France); Trafigura (Switzerland/Netherlands); Reliance Energy (India, Jamnagar refinery); Russia's Lukoil; Kuwait, UAE, Turkey, Venezuela (Petroleos de Venezuela), Singapore, the Netherlands, China, Turkmenistan, and Azerbaijan. Iran planning at least eight new or upgrade refinery projects to expand capacity to about 3 million barrels per day from 1.5 mbd.
Major Export Markets (2006)	Japan (\$9.9 billion); China (\$9.2 billion); Turkey (\$5.1 billion); Italy (\$4.45 billion); South Korea (\$4 billion); Netherlands (\$3.2 billion); France (\$2.7 billion); South Africa (\$2.7 billion); Spain (\$2.3 billion); Greece (\$2 billion)
Major Imports (2006)	Germany (\$5.6 billion); China (\$5 billion); UAE (\$4 billion); S. Korea (\$2.9 billion); France (\$2.6 billion); Italy (\$2.5 billion); Russia (\$1.7 billion); India (\$1.6 billion); Brazil (\$1.3 billion); Japan (\$1.3 billion).
Export Credit Guarantees (2006)	Germany \$715 million, down from \$2 billion in 2005; France—\$3.8 billion, down from \$5.7 billion in 2005.
Major Non-Oil Investments	Renault (France) and Mercedes (Germany)-automobile production in Karaj, Iran—valued at \$370 million; Renault (France), Peugeot (France) and Volkswagen (Germany)—auto parts production; Turkey—Tehran airport, hotels; China—shipbuilding on Qeshm Island, aluminum factory in Shirvan, cement plant in Hamadan; UAE financing Esfahan Steel Company; India—steel plant, petrochemical plant; S. Korea—steel plant in Kerman Province; S. Korea and Germany—\$1.7 billion to expand Esfahan refinery.
Trade With U.S. (2008)	\$785 million (trade is severely restricted by U.S. sanctions). Exports to U.S.—\$102 million (large categories: pomegranate juice, caviar, pistachio nuts, carpets, medicines, artwork). Imports from U.S.—\$683 million (wheat: - \$535 million; medicines, tobacco products, seeds).
“Oil Stabilization Fund” Reserves	\$12.1 billion (August 2008, IMF estimate).
External Debt	\$19 billion (2007 est.)
Development Assistance Received	2003 (latest available): \$136 million grant aid. Biggest donors: Germany (\$38 million); Japan (\$17 million); France (\$9 million).
Inflation	15% + (May 2009), according to Iranian officials.
Unemployment Rate	11%+

Source: CIA World Factbook, various press, IMF, Iran Trade Planning Division, press.

Human Rights and Dissent

The regime appears to have a relatively firm grip on power, in part because it vigorously suppresses dissent. However, Iranian opinion is hard to gauge and even seemingly low level unrest has the potential to spiral into a potential threat to the regime. Some observers believe such a spiral might occur if Iran's leaders do not resolve the June 2009 election dispute to the satisfaction of reformists and their supporters. Most experts believed that a victory by Musavi in the June 12 election would have partly satisfied the demands of these groups for more freedoms.

The latest State Department human rights report (released February 25, 2009), the 2008 State Department "religious freedom" report (released September 19, 2008), and a report by the U.N. Secretary General on October 1, 2008, cite Iran for widespread serious abuses, including unjust executions, politically motivated abductions by security forces, torture, arbitrary arrest and detention, and arrests of women's rights activists. The State Department human rights reports said the government's "poor human rights record worsened" during 2008. The Secretary General's report later became the basis of a U.N. General Assembly resolution, finalized on December 18, 2008, by a vote of 69-54, citing Iran for these abuses and calling on it to allow visits by U.N. personnel investigating the status of human rights practices in Iran. Subsequent to the passage of the resolution, Iranian authorities raided the Tehran office of the Center for Defenders of Human Rights, headed by Nobel Peace Prize laureate (2003) and Iran human rights activist lawyer Shirin Abadi.

Table 4. Human Rights Practices

Group/Issue	Regime Practice/Recent Developments
Ethnic and Religious Breakdown	Persians are about 51% of the population, and Azeris (a Turkic people) are about 24%. Kurds are about 7% of the population, and about 3% are Arab. Of religions, Shiite Muslims are about 90% of the Muslim population and Sunnis are about 10%. About 2% of the population is non-Muslim, including Christians, Zoroastrians (an ancient religion in what is now Iran), Jewish, and Baha'i.
Media	Since 2000, judicial hardliners have closed hundreds of reformist newspapers, although many have tended to reopen under new names. Iran also has blocked hundreds of pro-reform websites, and hardliners reportedly are blocking websites and blogs supportive of the presidential candidacy of Khatemi. In August 2007, the government closed a major reformist daily newspaper, <i>Shargh</i> , which had previously been suspended repeatedly. In February 2008, the regime closed the main women's magazine, <i>Zanan</i> (women in Farsi) for allegedly highlighting gender inequality in Islamic law. In November 2008, the regime arrested famed Iranian blogger Hossein Derakshan. Canadian journalist (of Iranian origin) Zahra Kazemi was detained in 2003 (for filming outside Tehran's Evin prison) and allegedly beaten to death in custody. An intelligence agent who allegedly conducted the beating was acquitted July 25, 2004.
Labor Unions/Students/Other Activists	Independent unions are technically legal but not allowed in practice. The sole authorized national labor organization is a state-controlled "Workers' House" umbrella. However, some activists show independence and, in 2007, the regime arrested labor activists for teachers' associations, bus drivers' unions, and a bakery workers' union. A bus drivers union leader, Mansur Osanloo, has been in jail since July 2007. The regime reportedly also dissolved student unions and replaced them with regime loyalists following student criticism of Ahmadinejad. In September 2008, Iran arrested several HIV/AIDS researchers for alleged anti-government activities.

Group/Issue	Regime Practice/Recent Developments
Women	Regime strictly enforcing requirement that women fully cover themselves in public, generally with a garment called a <i>chador</i> , including through detentions. In March 2007, the regime arrested 31 women activists who were protesting the arrest in 2006 of several other women's rights activists; all but 3 of the 31 were released by March 9. In May 2006, the Majles passed a bill calling for increased public awareness of Islamic dress, an apparent attempt to persuade women not to wear Western fashion. The bill did not contain a requirement that members of Iran's minority groups wear badges or distinctive clothing. In April 2006, Ahmadinejad directed that women be allowed to attend soccer matches, but the Supreme Leader reversed that move. Women can vote and run in parliamentary elections, but their candidacies for president have routinely been barred by the Council of Guardians. Iranian women can drive, and many work outside the home, including owning and running their own businesses. There are 9 women in the 290-seat Majles (13 in the last Majles).
Religious Freedom	Each year since 1999, the State Department religious freedom report has named Iran as a "Country of Particular Concern" under the International Religious Freedom Act. No sanctions added, on the grounds that Iran is already subject to extensive U.S. sanctions. Continued deterioration in religious freedom noted in the International Religious Freedom report for 2008 (September 19, 2008).
Baha'is	Iran repeatedly cited for repression of the Baha'i community, which Iran's Shiite Muslim clergy views as a heretical sect. The State Department cited Iran on February 13, 2009, for charging seven Baha'is with espionage; thirty other Baha'is remain imprisoned. In the 1990s, several Baha'is were executed for apostasy (Bahman Samandari in 1992; Musa Talibi in 1996; and Ruhollah Ruhani in 1998). Another, Dhabihullah Mahrami, was in custody since 1995 and died of unknown causes in prison in December 2005. In February 2000, Iran's Supreme Court set aside the death sentences against three other Baha'is. A wave of Baha'i arrests occurred in May 2006 and two-thirds of university students of the Baha'i faith were expelled from university in 2007. Several congressional resolutions have condemned Iran's treatment of the Baha'is, including in 1982, 1984, 1988, 1990, 1992, 1994, 1996, 2000, and 2006. In the 110 th Congress, H.Res. 1008 condemns Iran's treatment of the Baha'is (passed House August 1, 2008).
Jews	Along with Christians, a "recognized minority," with one seat in the Majles, the 30,000-member Jewish community (the largest in the Middle East aside from Israel) enjoys somewhat more freedoms than Jewish communities in several other Muslim states. However, in practice the freedom of Iranian Jews to practice their religion is limited, and Iranian Jews remain reluctant to speak out for fear of reprisals. During 1993-1998, Iran executed five Jews allegedly spying for Israel. In June 1999, Iran arrested 13 Jews (mostly teachers, shopkeepers, and butchers) from the Shiraz area that it said were part of an "espionage ring" for Israel. After an April-June 2000 trial, ten of the Jews and two Muslims accomplices were convicted (July 1, 2000), receiving sentences ranging from 4 to 13 years. An appeals panel reduced the sentences, and all were released by April 2003. On November 17, 2008, Iran hanged businessman Ali Ashtari (a Muslim), who was arrested in 2006, for allegedly providing information on Iran's nuclear program to Israel.
Sunnis	The cited reports note other discrimination against Sufis and Sunni Muslims, although abuses against Sunnis could reflect that minority ethnicities, including Kurds, are mostly Sunnis.
Human Trafficking	The June 16, 2009, (latest annual), State Department "Trafficking in Persons" report continues to place Iran in Tier 3 (worst level) for failing to take action to prevent trafficking in persons. Girls purportedly are trafficked for sexual exploitation within Iran and from Iran to Turkey, Pakistan, and the Gulf states.
Juvenile Executions	Iran has executed six persons under the age of 18 in 2008. No other country has executed juvenile offenders in 2008. As a party to the International Covenant on Civil and Political Rights and the Convention on the Rights of the Child, Iran is obligated to abolish such executions.
Stonings	In 2002, the head of Iran's judiciary issued a ban on stoning. However, Iranian officials

Group/Issue	Regime Practice/Recent Developments
	later called that directive “advisory” and could be ignored by individual judges. On December 2, 2008, Iran confirmed the stoning deaths of two men in Mashhad who were convicted of adultery.
Azeris	Azeris are one quarter of the population, but they complain of ethnic and linguistic discrimination. In 2008, there were several arrests of Azeri students and cultural activists who were pressing for their right to celebrate their culture and history.
Arrests of Dual Nationals	An Iranian-American journalist, Roxanna Saberi, was arrested in January 2009 allegedly because her press credentials had expired; she was charged on April 9, 2009, with espionage, apparently for possessing an Iranian military document. Was sentenced to eight years in jail; was released on appeal on May 12, 2009, but barred from practicing journalism, and has left Iran. Another dual national, Esha Momeni, a student is unable to leave Iran; she was arrested in October 2008. A U.S. national, former FBI agent Robert Levinson, remains missing after a visit in 2005 to Kish Island. Iran was handed a U.S. letter regarding these cases at the margin of a March 31, 2009, meeting in the Netherlands on Afghanistan.

Sources: Most recent State Department reports on human rights (February 25, 2009), trafficking in persons (June 16, 2009), and on religious freedom (September 19, 2008). www.state.gov

The regime has been particularly concerned about dissidents who previously held senior regime positions; these dissidents have followings inside Iran. One figure, Ayatollah Hossein Ali Montazeri, was released in January 2003 from several years of house arrest, but he remains under close watch. Montazeri was Khomeini’s designated successor until 1989, when Khomeini dismissed him for allegedly protecting intellectuals and opponents of clerical rule. Other dissidents have sought to challenge or expose the regime’s practices from inside Iran, mainly focused on human rights and free speech. Journalist Akbar Ganji conducted hunger strikes to protest regime oppression; he was released on schedule on March 18, 2006 after sentencing in 2001 to six years in prison for alleging high-level involvement in 1999 murders of Iranian dissident intellectuals that the regime had blamed on “rogue” security agents.

Exiled Opposition Groups: People’s Mojahedin Organization of Iran (PMOI)/Camp Ashraf

Of the groups seeking to replace rather than moderate the regime, one of the best known is the People’s Mojahedin Organization of Iran (PMOI).⁵ Secular and left-leaning, it was formed in the 1960s to try to overthrow the Shah of Iran and advocated Marxism blended with Islamic tenets. It allied with pro-Khomeini forces during the Islamic revolution and supported the November 1979 takeover of the U.S. Embassy in Tehran but was later driven into exile. Even though it is an opponent of Tehran, since the late 1980s the State Department has refused contact with the PMOI and its umbrella organization, the National Council of Resistance (NCR). The State Department designated the PMOI as a foreign terrorist organization (FTO) in October 1997⁶ and the NCR was named as an alias of the PMOI in the October 1999 re-designation. The FTO designation was

⁵ Other names by which this group is known is the Mojahedin-e-Khalq Organization (MEK or MKO) and the National Council of Resistance (NCR).

⁶ The designation was made under the authority of the Anti-Terrorism and Effective Death Penalty Act of 1996 (P.L. 104-132).

prompted by PMOI attacks in Iran that sometimes kill or injure civilians—although the group does not appear to purposely target civilians. In August 14, 2003, the State Department designated the NCR offices in the United States an alias of the PMOI, and NCR and Justice Department authorities closed down those offices. The regime accuses the group of involvement in the post June 2009 presidential election violence.

The State Department report on international terrorism for 2007 asserts that the organization—and not just a radical element of the organization as the group asserts—was responsible for the alleged killing of seven American defense advisers to the former Shah in 1975-1976. The report again notes the group's promotion of women in its ranks and again emphasizes the group's "cult-like" character, including indoctrination of its members and separation of family members, including children, from its activists. The group's alliance with Saddam Hussein's regime in the 1980s and 1990s has contributed to the U.S. shunning of the organization.

Some advocate that the United States not only remove the group from the FTO list but also enter an alliance with the group against Iran. The FTO designation was up for formal review in October 2008, and, in July 2008, the PMOI formally petitioned to the State Department that its designation be revoked, on the grounds that it renounced any use of terrorism in 2001. However, the State Department announced in mid-January 2009 that the group would remain listed; the next review of that status would be in October 2009.

The group is trying to build on recent legal successes in Europe; on January 27, 2009, the European Union (EU) removed the group from its terrorist group list; the group had been so designated by the EU in 2002. In May 2008, a British appeals court determined that the group should no longer be considered a terrorist organization on the grounds that the British government did not provide "any reliable evidence that supported a conclusion that PMOI retained an intention to resort to terrorist activities in the future." In June 2003, France arrested about 170 PMOI members, including its co-leader Maryam Rajavi (wife of PMOI founder Masoud Rajavi, whose whereabouts are unknown). She was released and remains based in France, and is occasionally received by European parliamentarians and other politicians.

The issue of group members in Iraq is increasingly pressing. U.S. forces attacked PMOI military installations in Iraq during Operation Iraqi Freedom and negotiated a ceasefire with PMOI military elements in Iraq, requiring the approximately 3,400 PMOI fighters to remain confined to their Ashraf camp near the border with Iran. Its weaponry is in storage, guarded by U.S. personnel. In July 2004, the United States granted the Ashraf detainees "protected persons" status under the 4th Geneva Convention, meaning they will not be extradited to Tehran or forcibly expelled as long as U.S. forces have a mandate to help secure Iraq. Another 350 PMOI fighters have taken advantage of an arrangement between Iran and the ICRC for them to return to Iran if they disavow further PMOI activities; none are known to have been persecuted since returning.

The U.S.-led security mandate in Iraq was replaced on January 1, 2009, by a bilateral U.S.-Iraq agreement that limits U.S. flexibility in Iraq. The group fears that, now that Iraqi forces have taken control of the camp, Iraq will expel the group to Iran. The Iraqi government has tried to calm those fears in January 2009 by saying that it would not do so, although it reiterated in late March 2009 that members of the group will be expelled. Some observers say Iraq might move the camp to Iraq's interior, away from the Iran border. The EU "de-listing" might help resolve the issue by causing EU governments to take in those at Ashraf.

Other Armed Groups

Some armed groups are operating in Iran's border areas, and are generally composed of ethnic or religious minorities. One such group is *Jundullah*, composed of Sunni Muslims primarily from the Baluchistan region bordering Pakistan. Since mid-2008, it has conducted several successful attacks on Iranian security personnel, apparently including in May 2009, claiming revenge for the poor treatment of Sunnis in Iran. An armed Kurdish group operating out of Iraq is the Free Life Party, known by its acronym PJAK. PJAK was designated in early February 2009 as a terrorism supporting entity under Executive order 13224, although the designation statement indicated the decision was based mainly on PJAK's association with the Turkish Kurdish opposition group Kongra Gel, also known as the PKK. Another militant group, the "*Ahwazi Arabs*," operates in the largely Arab inhabited areas of southwest Iran, bordering Iraq.

The Son of the Former Shah

Some Iranian exiles, as well as some elites still in Iran, want to replace the regime with a constitutional monarchy led by Reza Pahlavi, the U.S.-based son of the late former Shah and a U.S.-trained combat pilot. However, he does not appear to have large-scale support inside Iran. In January 2001, the Shah's son, who is about 50 years old, ended a long period of inactivity by giving a speech in Washington, DC, calling for unity in the opposition and the institution of a constitutional monarchy and democracy in Iran. He has since broadcast messages into Iran from Iranian exile-run stations in California.⁷ His political adviser is MIT-educated Shariar Ahy. No U.S. assistance has been provided to exile-run stations. The conference report on the FY2006 regular foreign aid appropriations, P.L. 109-102, stated the sense of Congress that the Administration consider such support.

Other Activists

Numerous Iranians-Americans in the United States want to see a change of regime in Tehran. Many of them are based in California, where there is a large Iranian-American community, and there are about 25 small-scale radio or television stations that broadcast into Iran. Some organizations, such as The National Iranian American Council (NIAC), are not necessarily seeking influence inside Iran. The mission of NIAC, composed largely of Iranian-Americans, is to promote discussion of U.S. policy and the group has advocated engagement with Iran.

Iran's Strategic Capabilities and Weapons of Mass Destruction Programs

The George W. Bush Administration's "National Security Strategy" document released March 16, 2006 said the United States "may face no greater challenge from a single country than from Iran." The perception, which many in the Obama Administration are said to share, is based largely on Iran's growing weapons of mass destruction (WMD) programs and its ability to exert influence in

⁷ Kampeas, Ron. "Iran's Crown Prince Plots Nonviolent Insurrection from Suburban Washington." Associated Press, August 26, 2002.

the region counter to U.S. objectives.⁸ Many experts agree that Iran's core national security goals are to protect itself from foreign, primarily U.S., interference or attack, and to exert regional influence that Iran believes is commensurate with its size and concept of nationhood.

Conventional Military/Revolutionary Guard/Qods Force

Iran's armed forces are extensive but they are widely considered relatively combat ineffective against a well-trained, sophisticated military such as that of the United States or a regional power such as Turkey, but Iran's forces could still cause damage to U.S. forces and allies in the Gulf region. Iranian forces are believed sufficiently effective to deter or fend off conventional threats from Iran's weaker neighbors such as post-war Iraq, Turkmenistan, Azerbaijan, and Afghanistan, but lacking in the logistical ability to project power much beyond Iran's borders. Iran's armed forces have few formal relationships with foreign militaries, but Iran and India have a "strategic dialogue" and some Iranian naval officers reportedly have undergone some training in India. Iran and Turkey have agreed in principle (April 2008) to jointly fight terrorism along their border. Most of Iran's other military-to-military relationships, such as with Russia, Ukraine, Belarus, North Korea, and a few others, generally center on Iranian arms purchases or upgrades.

Iran's armed forces are divided organizationally. The Islamic Revolutionary Guard Corps (IRGC, known in Persian as the *Pasdaran*)⁹ controls the *Basij* (mobilization) volunteer militia that enforces adherence to Islamic customs. It is generally loyal to the hardliners politically and is clearly more politically influential than is Iran's regular military, which is numerically larger but was held over from the Shah's era. The IRGC and the regular military report to a Joint Headquarters, headed by Hassan Firuzabadi.

⁸ See <http://www.whitehouse.gov/nsc/nss/2006/>.

⁹ For a more extensive discussion of the IRGC, see Katzman, Kenneth. "The Warriors of Islam: Iran's Revolutionary Guard," *Westview Press*, 1993.

Table 5. The Revolutionary Guard

As described in a 2009 Rand Corporation study, “Founded by a decree from Ayatollah Khomeini shortly after the victory of the 1978-1979 Islamic Revolution, Iran’s Islamic Revolutionary Guards Corps (IRGC) has evolved well beyond its original foundations as an ideological guard for the nascent revolutionary regime. Today the IRGC functions as an expansive socio-political-economic conglomerate whose influence extends into virtually every corner of Iranian political life and society. Bound together by the shared experience of war and the socialization of military service, the Pasdaran have articulated a populist, authoritarian, and assertive vision for the Islamic Republic of Iran that they maintain is a more faithful reflection of the revolution’s early ideals. The IRGC’s presence is particularly powerful in Iran’s highly factionalized political system, in which [many senior figures] hail from the ranks of the IRGC. Outside the political realm, the IRGC oversees a robust apparatus of media resources, training activities, education programs designed to bolster loyalty to the regime, prepare the citizenry for homeland defense, and burnish its own institutional credibility vis-a-vis other factional actors. It is in the economic sphere, however, that the IRGC has seen the greatest growth and diversification – strategic industries and commercial services ranging from dam and pipeline construction to automobile manufacturing and laser eye surgery have fallen under its sway, along with a number of illicit smuggling and black market enterprises.”

As further evidence of the IRGC pre-eminence in the conventional command structure, Chairman of the Joint Chiefs of Staff Admiral Mike Mullen said on November 29, 2007, that the IRGC Navy was given responsibility to patrol the entire Persian Gulf, and that the regular Navy is patrolling the Strait of Hormuz and Gulf of Oman.

Through its Qods (Jerusalem) Force, the IRGC has a foreign policy role in exerting influence throughout the region by supporting pro-Iranian movements, as discussed further below. The Qods Force numbers approximately 10,000-15,000 personnel who provide advice, support, and arrange weapons deliveries to pro-Iranian factions in Lebanon, Iraq, Persian Gulf states, Gaza/West Bank, Afghanistan, and Central Asia. It also operates a worldwide intelligence network to give Iran possible terrorist option and to assist in procurement of WMD-related technology. The Qods Force commander, Brig. Gen. Qassem Soleimani, is said to have his own independent channel to Supreme Leader Khamene’i, bypassing the IRGC and Joint Staff command structure.

IRGC leadership developments are significant because of the political influence of the IRGC. On September 2, 2007, Khamene’i replaced Rahim Safavi with Mohammad Ali Jafari as Commander In Chief of the Guard; Jafari is considered a hardliner against political dissent and is reputedly close to the Supreme Leader and less so to Ahmadinejad. The *Basij* has its own command structure but it reports to the IRGC Commander in Chief. It operates from thousands of positions in Iran’s institutions. Command reshuffles in July 2008 that integrated the *Basij* more closely with provincially-based IRGC units furthered the view that the *Basij* is playing a more active role in uncovering suspected plotting by Iran’s minorities and others. More information on Iran’s military and how it might perform against the United States is discussed under “military options” below.

As noted, the IRGC is also increasingly involved in Iran’s economy, acting through a network of contracting businesses it has set up, most notably *Ghorb* (also called *Khatem ol-Anbiya*, Persian for “Seal of the Prophet”). Active duty IRGC senior commanders reportedly serve on *Ghorb*’s board of directors. On October 21, 2007, the Treasury Department designated several IRGC companies as proliferation entities under Executive Order 13382, as shown in the table at the end of the paper. Also that day, the IRGC as a whole, the Ministry of Defense, several IRGC commanders, and several Iranian banks were sanctioned under that same executive order. Simultaneously, the Qods Force was named as a terrorism supporting entity under Executive Order 13224. Both orders freeze the U.S.-based assets and prevent U.S. transactions with the named entities, but these entities are believed to have virtually no U.S.-based assets that could be frozen. The designations stopped short of concurring with provisions of bills in the 110th Congress—H.R. 1400 (passed by the House on September 25), S. 970, and the FY2008 defense authorization bill (P.L. 110-181, Senate amendment adopted September 6, 2007, by vote of 76-22)—for the Revolutionary Guard to be designated a foreign terrorist organization, or FTO.

Source: Frederic Wehrey et al. “The Rise of the Pasdaran.” Rand Corporation. 2009. Katzman, Kenneth. “The Warriors of Islam: Iran’s Revolutionary Guard.” Westview Press, 1993.

Table 6. Iran's Conventional Military Arsenal

Military Personnel	Tanks	Surface-Air Missiles	Combat Aircraft	Ships	Defense Budget (billions U.S. \$)
545,000 (regular military and Revolutionary Guard Corps (IRGC). IRGC is about one-third of total force.	1,693 (incl. 480 T-72)	150 I-Hawk plus some Stinger	280 (incl. 25 MiG-29 and 30 Su-24)	200 (incl. 10 Chinese-made Hudong, 40 Boghammer, 3 frigates) Also has 3 Kilo subs	6.6

Ship-launched cruise missiles. Iran is able to arm its patrol boats with Chinese-made C-802 cruise missiles. Iran also has Chinese-supplied HY-2 Seerseekers emplaced along Iran's coast.

Midget Subs. Iran is said to possess several, possibly purchased assembled or in kit form from North Korea. Iran claimed on Nov. 29, 2007 to have produced a new small sub equipped with sonar-evading technology.

Anti-aircraft missile systems. Russia has sold and now delivered to Iran (January 2007) 30 anti-aircraft missile systems (Tor M1), worth over \$1 billion. In September 2006, Ukraine agreed to sell Iran the Kolchuga radar system that can improve Iran's detection of combat aircraft. In December 2007, Russia agreed to sell the even more capable S-300 (also known as SA-20 "Gargoyle") air defense system, purportedly modeled after the U.S. Patriot system, which U.S. officials say would greatly enhance Iran's air defense capability. The value of the deal is estimated at \$800 million. Amid unclear or weak denials by Iranian and Russian officials, U.S. officials told journalists on December 11, 2008, that Iran has indeed contracted for the missile. It is reportedly was due for delivery by March 2009 and to be operational by June 2009, but Russian press reports in February 2009 about the visit of Iran's Defense Minister to Moscow indicate that Russia has placed delivery on hold due to "political considerations"—expectations of possible adverse reaction by the Obama Administration. Delivery has not taken place to date, by all accounts.

Nuclear Program and International Sanctions

Since 2005, Iran and the international community have been on a "collision course" over Iran's nuclear program. U.S. officials say they are operating under the assumption that Iran intends to develop a nuclear weapon from that program. The Obama Administration faces policy choices as the International Atomic Energy Agency (IAEA) reported on February 19, 2009, that Iran has now enriched enough uranium for a nuclear weapon, although only if enriched to 90%, and that there continues to be no evidence that Iran has diverted any nuclear material for a nuclear weapons program. The IAEA report of June 5, 2009, reiterated that Iran's enrichment thus far has been 5%, which is a level that would permit only civilian uses, but added that Iran has now installed over 7,000 centrifuges, of which over 5,000 are being fed with uranium feedstock. The IAEA, despite intensified inspections of Iran's facilities since late 2002, has said it cannot verify that Iran's current program is purely peaceful, and several of its reports (January 31, 2006, February 27, 2006, May 26, 2008, and September 15, 2008) say it found documents that show a possible involvement of Iran's military in the program. IAEA Director Mohammad El Baradei said in a press interview on June 17, 2009, that "My gut feeling is that Iran definitely would like to have the technology...that would enable it to have nuclear weapons if they decided to do so."

Some Administration officials lean toward an alarmist view of Iran's capabilities, while others, including Secretary of Defense Gates, have signaled less urgency, saying on March 1, 2009, that Iran is "not close" to a nuclear weapon. The George W. Bush Administration's December 2007 NIE assessed that Iran will likely be technically capable of producing enough highly enriched uranium for a nuclear weapon some time during 2010-2015. This time frame was reiterated in February 12, 2009, testimony by Director of National Intelligence Dennis Blair and by him again

since then, although the DNI reiterated that Iran's weaponization efforts appear to still be on hold since 2003, as the 2007 NIE had said.¹⁰

Iran's Arguments and the International Response

International scrutiny of Iran's nuclear program intensified in 2002, when Iran confirmed PMOI allegations that Iran was building two facilities that could potentially be used to produce fissile material useful for a nuclear weapon: a uranium enrichment facility at Natanz and a heavy water production plant at Arak,¹¹ considered ideal for the production of plutonium. It was revealed in 2003 that the founder of Pakistan's nuclear weapons program, A.Q. Khan, sold Iran nuclear technology and designs.¹²

Iranian leaders have answered the criticism saying that Iran's nuclear program is for electricity generation and that enrichment is its "right" as a party to the NPT. Iran says its oil resources are finite and that enriching uranium to make nuclear fuel is allowed under the 1968 Nuclear Non-Proliferation Treaty,¹³ to which Iran is a party. An analysis was published by the National Academy of Sciences challenging the U.S. view that Iran is petroleum rich and therefore has no need for a nuclear power program. According to the analysis, the relative lack of investment is causing a decline in Iranian oil exports to the point where Iran might have negligible exports of oil by 2015.¹⁴ U.S. officials say that Iran's gas resources make nuclear energy unnecessary.

Iran professes that WMD is inconsistent with its ideology and says that its leaders, including the late Ayatollah Khomeini, have issued formal pronouncements (*fatwas*) that nuclear weapons are un-Islamic. However, in February 2009, the DNI reiterated the 2007 NIE's position that it is likely that Iran will eventually try to develop a nuclear weapon. Iran's factions appear to agree on the utility of a nuclear weapons capability as a means of ending its perceived historic vulnerability to invasion and domination by great powers, and as a symbol of Iran as a major nation. Others believe a nuclear weapon represents the instrument with which Iran intends to intimidate its neighbors and dominate the Persian Gulf region. There are also fears Iran might transfer WMD to extremist groups or countries.

U.S. officials have generally been less concerned with Russia's work, under a January 1995 contract, on an \$800 million nuclear power plant at Bushehr. Russia insisted that Iran sign an agreement under which Russia would provide reprocess the plant's spent nuclear material; that agreement was signed on February 28, 2005. The plant was expected to become operational in 2007, but Russia had insisted (including during President Putin's visit to Iran in October 2007) that Iran first comply with the U.N. resolutions discussed below. In December 2007, perhaps to signal disagreement with further pressure on Iran, Russia began fueling the reactor, and Iran says

¹⁰ Text at http://www.dni.gov/press_releases/20071203_release.pdf.

¹¹ In November 2006, the IAEA, at U.S. urging, declined to provide technical assistance to the Arak facility on the grounds that it was likely for proliferation purposes.

¹² Lancaster, John and Kamran Khan. "Pakistanis Say Nuclear Scientists Aided Iran." *Washington Post*, January 24, 2004.

¹³ For Iran's arguments about its program, see Iranian paid advertisement "An Unnecessary Crisis—Setting the Record Straight About Iran's Nuclear Program," in the *New York Times*, November 18, 2005. P. A11.

¹⁴ Stern, Roger. "The Iranian Petroleum Crisis and United States National Security," *Proceedings of the National Academy of Sciences of the United States of America*. December 26, 2006.

it expects the plant to become operational in 2009. Some preliminary tests of the plant began in February 2009. As part of its work with Iran, Russia has trained 1,500 Iranian nuclear engineers.

Diplomatic Efforts in 2003 and 2004/Paris Agreement

In 2003, France, Britain, and Germany (the “EU-3”) opened a separate diplomatic track to curb Iran’s program. On October 21, 2003, Iran pledged, in return for peaceful nuclear technology, to (1) fully disclose its past nuclear activities, (2) to sign and ratify the “Additional Protocol” to the NPT (allowing for enhanced inspections), and (3) to suspend uranium enrichment activities. Iran signed the Additional Protocol on December 18, 2003, although the *Majles* has not ratified it. Iran abrogated the agreement after the IAEA reports of November 10, 2003, and February 24, 2004, stated that Iran had violated its NPT reporting obligations over an 18-year period.

In the face of the U.S. threat to push for Security Council action, the EU-3 and Iran reached a more specific November 14, 2004, “Paris Agreement,” committing Iran to suspend uranium enrichment (which it did as of November 22, 2004) in exchange for renewed trade talks and other aid.¹⁵ EU-3—Iran negotiations on a permanent nuclear pact began on December 13, 2004, and related talks on a trade and cooperation accord (TCA) began in January 2005. The George W. Bush Administration did not openly support the track until March 11, 2005 when it announced it would support the talks, but not join them, by dropping U.S. objections to Iran applying to join the World Trade Organization (it applied in May 2005) or to selling civilian aircraft parts to Iran.

Reference to the Security Council

The Paris Agreement broke down just after Ahmadinejad’s election; Iran rejected as insufficient an EU-3 offer to assist Iran with peaceful uses of nuclear energy and provide limited security guarantees in exchange for Iran’s (1) permanently ending uranium enrichment; (2) dismantling the Arak heavy water reactor;¹⁶ (3) no-notice nuclear inspections; and (4) a pledge not to leave the NPT (it has a legal exit clause). On August 8, 2005, Iran broke the IAEA seals and began uranium “conversion” (one step before enrichment) at its Esfahan facility. On September 24, 2005, the IAEA Board voted to declare Iran in non-compliance with the NPT and to refer the issue to the Security Council,¹⁷ but no time frame was set for the referral. After Iran resumed enrichment activities, on February 4, 2006, the IAEA board voted 27-3¹⁸ to report Iran to the U.N. Security Council. On March 29, 2006, the Council agreed on a presidency “statement” setting a 30-day time limit (April 28, 2006) for ceasing enrichment.¹⁹

¹⁵ For text of the agreement, see http://www.iaea.org/NewsCenter/Focus/IaeaIran/eu_iran14112004.shtml.

¹⁶ In November 2006, the IAEA, at U.S. urging, declined to provide technical assistance to the Arak facility on the grounds that it was likely for proliferation purposes.

¹⁷ Voting in favor: United States, Australia, Britain, France, Germany, Canada, Argentina, Belgium, Ghana, Ecuador, Hungary, Italy, Netherlands, Poland, Portugal, Sweden, Slovakia, Japan, Peru, Singapore, South Korea, India. Against: Venezuela. Abstaining: Pakistan, Algeria, Yemen, Brazil, China, Mexico, Nigeria, Russia, South Africa, Sri Lanka, Tunisia, and Vietnam.

¹⁸ Voting no: Cuba, Syria, Venezuela. Abstaining: Algeria, Belarus, Indonesia, Libya, South Africa.

¹⁹ See <http://daccessdds.un.org/doc/UNDOC/GEN/N06/290/88/PDF/N0629088.pdf?OpenElement>.

Establishment of “P5+1” Contact Group/June 2006 Incentive Package

Taking a multilateral approach, the George W. Bush Administration offered on May 31, 2006, to join the nuclear talks with Iran if Iran first suspends its uranium enrichment. Such talks would center on a package of incentives and possible sanctions—formally agreed on June 1, 2006—by a newly formed group of nations, the so-called “Permanent Five Plus 1” (P5+1: United States, Russia, China, France, Britain, and Germany). EU representative Javier Solana formally presented the P5+1 offer to Iran on June 6, 2006. (The package is Annex I to Resolution 1747.)

Incentives:

- Negotiations on an EU-Iran trade agreements and acceptance of Iran into the World Trade Organization.
- Easing of U.S. sanctions to permit sales to Iran of commercial aircraft or aircraft parts.
- Sale to Iran of a light-water nuclear reactor and guarantees of nuclear fuel (including a five year buffer stock of fuel), and possible sales of light-water research reactors for medicine and agriculture applications.
- An “energy partnership” between Iran and the EU, including help for Iran to modernize its oil and gas sector and to build export pipelines.
- Support for a regional security forum for the Persian Gulf, and support for the objective of a WMD free zone for the Middle East.
- The possibility of eventually allowing Iran to resume uranium enrichment if it complies with all outstanding IAEA requirements and can prove that its nuclear program is purely peaceful.

Reported Sanctions:²⁰

- Denial of visas for Iranians involved in Iran’s nuclear program and for high-ranking Iranian officials.
- A freeze of assets of Iranian officials and institutions; a freeze of Iran’s assets abroad; and a ban on some financial transactions.
- A ban on sales of advanced technology and of arms to Iran; and a ban on sales to Iran of gasoline and other refined oil products.
- An end to support for Iran’s application to the WTO.

Resolution 1696

Iran did not immediately respond to the incentive offer. On July 31, 2006, the Security Council voted 14-1 (Qatar voting no) for U.N. Security Council Resolution 1696, giving Iran until August 31, 2006, to fulfill the longstanding IAEA nuclear demands (enrichment suspension, etc). Purportedly in deference to Russia and China, it was passed under Article 40 of the U.N. Charter,

²⁰ One source purports to have obtained the contents of the package from ABC News: <http://www.basicint.org/pubs/Notes/BN060609.htm>.

which makes compliance mandatory, but not under Article 41, which refers to economic sanctions, or Article 42, which would authorize military action. It called on U.N. member states not to sell Iran WMD-useful technology. On August 22, 2006, Iran formally responded to the June proposal, but Iran did not offer enrichment suspension, instead proposing broader engagement with the West and guarantees that the United States would not seek regime change.

Resolution 1737

With the backing of the P5+1, chief EU negotiator Javier Solana negotiated with Iran to try arrange a temporary enrichment suspension, but talks ended on September 28, 2006, without agreement. After almost four months of negotiations, the Security Council agreed to U.N. Security Council Resolution 1737. It was passed unanimously on December 23, 2006, under Chapter 7, Article 41 of the U.N. Charter. It prohibits sale to Iran—or financing of such sale—of technology that could contribute to Iran’s uranium enrichment or heavy-water reprocessing activities. It also required U.N. member states to freeze the financial assets of 10 named Iranian nuclear and missile firms and 12 persons related to those programs (see **Table 10**). It did not mandate the banning of travel by these personalities, but called on member states not to admit them. It also provided an exemption, sought by Russia, for the Bushehr reactor.

Resolution 1747 and Results

Resolution 1737 demanded enrichment suspension by February 21, 2007. With no sign of Iran doing so, on March 24, 2007, after only three weeks of P5+1 negotiations, Resolution 1747 was adopted unanimously, which:

- added 10 military/WMD-related entities; 3 Revolutionary Guard entities; 8 persons, and 7 Revolutionary Guard commanders listed in **Table 10**. Bank Sepah is among the entities sanctioned.
- banned arms transfers by Iran, a provision targeted at Iran’s alleged arms supplies to Lebanese Hezbollah and to Shiite militias in Iraq.
- required all countries to report to the United Nations when the sanctioned Iranian persons travel to their territories.
- called for (but did not require) countries to avoid selling arms or dual use items to Iran and to avoid any new lending or grants to Iran.

Resolution 1747 demanded Iran suspend enrichment by May 24, 2007. Iran did not comply, but, suggesting it wanted to avoid further isolation, in August 2007, Iran agreed to sign with the IAEA an agreement to clear up outstanding questions on Iran’s past nuclear activities by the end of 2007. On September 28, 2007, the P5+1 grouping—along with the EU itself—agreed to a joint statement pledging to negotiate another sanctions resolution if there is no progress reported by the IAEA in implementing the August 2007 agreement or in negotiations with EU representative Javier Solana. The IAEA and Solana indicated that Iran’s responses fell short; Solana described a November 30, 2007, meeting with Iranian negotiator Sayid Jallili as “disappointing.”

Resolution 1803 and Additional Incentives

After several months of negotiations, Resolution 1803 was adopted by a vote of 14-0 (Indonesia abstaining) on March 3, 2008. It: (1) bans sales of dual use items to Iran; (2) authorizes, but does

not require, inspections of cargo (carried by Iran Air Cargo and Islamic Republic of Iran Shipping Line) suspected of shipping WMD-related goods; (3) imposes a firm travel ban on five Iranians named in Annex II to the Resolution and requires reports on international travel by 13 individuals named in Annex I; (4) calls for, but does not require, a prohibition on financial transactions with Iran's Bank Melli and Bank Saderat; and (5) adds 12 entities to those sanctioned under Resolution 1737. Although these provisions do not directly address civilian trade or investment, the George W. Bush Administration hailed the Resolution as demonstrating that the international community remained unified on Iran. (On June 23, 2008, the EU, acting under Resolution 1803, froze the assets of Bank Melli and several IRGC entities and commanders.)

Resolution 1803 also stated that "China, France, Germany, the Russian Federation, the United Kingdom and the United States are willing to take further concrete measures on exploring an overall strategy of resolving the Iranian nuclear issue through negotiation on the basis of their June 2006 proposals." Trying to preserve a unified front, the George W. Bush Administration agreed to expand the June 2006 incentive package to induce Iranian cooperation. The P5+1 met on April 16, 2008, in Shanghai, China but it was not until a meeting in London on May 2, 2008, that the powers agreed on a "refreshed" package of incentives to augment those in the June 2006 package. According to press reports (the exact offer was not made public), the powers offered, beyond previous offers, political cooperation with Iran, and enhanced incentives on energy cooperation. EU envoy Solana presented the package (which included a signature by Secretary of State Rice) on June 14, 2008, but Iran was non-committal.

Perhaps sensing increasing international pressure, Iranian Foreign Minister Mottaki indicated on July 2, 2008, that Iran might be ready to negotiate on the June 2008 incentive package by first accepting a proposed six week "freeze for freeze"—the P5+1 would freeze further sanctions efforts and Iran would freeze any further expansion of uranium enrichment (though not suspend outright). To try to take advantage of what seemed to be divisions within Iran on whether to negotiate a settlement, the George W. Bush Administration sent Undersecretary of State for Political Affairs William Burns to join Solana and the other P5+1 representatives at a meeting in Geneva on July 19, 2008, to receive Iran's response to the "freeze for freeze" idea. Iran did not supply a direct answer either then, or by an extended deadline of August 2, 2008, instead focusing on what would be the outlines of a final nuclear settlement.

Resolution 1835

As a result of the lack of progress, the P5+1 began discussing another sanctions resolution. Ideas reportedly under consideration included adding more Iranian banks to those with which business would be banned, or banning insurance for Iran's tanker fleet. On August 7, 2008, separately from any U.N. action but intended to increase pressure on Iran, the EU not only implemented those sanctions specified in Resolution 1803, including the authority to inspect suspect shipments, but also called on its member states to refrain from providing new credit guarantees on exports to Iran. However, the August 2008 crisis between Russia and Georgia set back U.S.-Russia relations, and Russia opposed a new resolution to sanction Iran. In an effort to demonstrate to Iran continued unity, the Council did adopt (September 27, 2008) Resolution 1835. It called on Iran to comply with previous resolutions, but it reaffirmed a willingness to continue to negotiate a solution with Iran and did not impose any new sanctions.

With Iran still not complying, the P5+1 met again on October 21, 2008, and in Paris on November 13, 2008. However, with U.S. partner officials uncertain about what U.S. policy toward Iran might be under a new U.S. Administration, there was no consensus on new sanctions.

The P5+1 Process Under President Obama

After President Obama was inaugurated, the P5+1 met in Germany (February 4, 2009), reportedly focusing on how the new U.S. Administration planned to change the U.S. approach on Iran. The P5+1 countries issued a statement recommitting to the “two track” strategy of offering Iran incentives and diplomacy while continuing to increase sanctions as long as Iran remains defiant.²¹ However, the Obama Administration has not, to date, pressed for new sanctions, pending indications of how Iran would respond to its diplomatic outreach efforts. Another P5+1 meeting was held in London on April 8, 2009, during which Undersecretary Burns told the other members of the group that, henceforth, a U.S. diplomat would attend all of the group’s meetings with Iran. On May 18, 2009, in the context of a meeting with visiting Israeli Prime Minister Benjamin Netanyahu, President Obama said he expect a positive response by Iran to the U.S. outreach “by the end of [2009],” but that the United States would not entertain the idea of endless talks that yield no result on Iran’s nuclear program. He said he expected that the next round of P5+1 talks with Iran would take place after Iran’s presidential elections.

Iranian leaders said in April 2009 that they are considering offering new proposals to resolve the nuclear issues, but no specifics have been announced to date. As noted, Musavi has indicated he would take positions little different than Iran’s current stances, but there is a perception among experts that he would be more flexible than is Ahmadinejad, at the very least on opening Iran’s program to greater transparency. Some outside experts are trying to float compromise proposals. Former senior U.S. diplomat Thomas Pickering and other experts said in April 2008 that U.S. and Iranian former officials and academics have been meeting to discuss formulas under which Iran might continue to enriched uranium to non bomb-grade levels under monitoring. The *New York Times* reported on April 14, 2009, that the Obama Administration is considering that and related proposals that involve dropping the precondition that Iran suspend uranium enrichment before talks on a final status of Iran’s program would begin.

Table 7. Summary of Provisions of U.N. Resolutions on Iran Nuclear Program (1737, 1747, and 1803)

Require Iran to suspend uranium enrichment
Prohibit transfer to Iran of nuclear, missile, and dual use items to Iran, except for use in light water reactors
Prohibit Iran from exporting arms or WMD-useful technology
Freeze the assets of 40 named Iranian persons and entities, including Bank Sepah, and several Iranian front companies
Require that countries exercise restraint with respect to travel of 35 named Iranians and ban the travel of 5 others
Calls on states not to export arms to Iran or support new business with Iran
Calls for vigilance with respect to the foreign activities of all Iranian banks, particularly Bank Melli and Bank Saderat
Calls on countries to inspect cargoes carried by Iran Air Cargo and Islamic Republic of Iran Shipping Lines if there are indications they carry cargo banned for carriage to Iran.

²¹ Dempsey, Judy. “U.S. Urged to Talk With Iran.” *International Herald Tribune*, February 5, 2009.

Chemical Weapons, Biological Weapons, and Missiles

Official U.S. reports and testimony continue to state that Iran is seeking a self-sufficient chemical weapons (CW) infrastructure, and that it “may have already” stockpiled blister, blood, choking, and nerve agents—and the bombs and shells to deliver them. This raises questions about Iran’s compliance with its obligations under the Chemical Weapons Convention (CWC), which Iran signed on January 13, 1993, and ratified on June 8, 1997. These officials and reports also say that Iran “probably maintain[s] an offensive [biological weapons] BW program ... and probably has the capability to produce at least small quantities of BW agents.”

Ballistic Missiles/Warheads

At the 2009 Annual Threat Assessment of the Intelligence Community, Director of National Intelligence, Dennis Blair, testified “although many of their statements are exaggerations, Iranian officials throughout the past year have repeatedly claimed greater ballistic missile capabilities that could threaten U.S. and allied interests.”²² Tehran appears to view its ballistic missiles as an integral part of its strategy to deter or retaliate against forces in the region, including U.S. forces. To reinforce that message, during July 9-10, 2008, Iran conducted several highly publicized test launches of a variant of the Shahab missile that Iran says has a 1,250 mile range, putting most key U.S. allies in the region at risk; other missiles were tested on those days as well. Some analyses suggested Iran might have falsified photos of some of the missiles. Iran claimed a successful test of a “Sijil” solid-fuel missile, with a range of 1,200 miles, on November 12, 2008.

However, Iran’s technical capabilities are a matter of some debate among experts. As of August 19, 2008, the George W. Bush Administration has reached agreements with Poland and the Czech Republic to establish a missile defense system to counter Iranian ballistic missiles. These agreements were reached over Russia’s opposition, which was based on the belief that the missile defense system would be used to neutralize Russian capabilities. The Obama Administration has indicated it might de-emphasize this program if progress if Iran’s nuclear program is curbed.

²² Annual Threat Assessment of the Intelligence for the Senate Select Committee on Intelligence, Dennis C. Blair, Director of National Intelligence, February 12, 2009.

Table 8. Iran's Ballistic Missile Arsenal

Shahab-3 ("Meteor")	800 mile range. Two of first three tests (July 1998, July 2000, and September 2000) reportedly unsuccessful. After successful test in June 2003, Iran called missile operational (capable of hitting Israel). Despite claims, some U.S. experts say the missile not completely reliable—some observers said Iran detonated in mid-flight a purportedly more accurate version on August 12, 2004. On May 31, 2005, Iran announced it had tested a solid-fuel version.
Shahab-4 / Sijil	1,200 - 1,500 mile range. In October 2004, Iran announced it had extended range of the Shahab-3 to 1,200 miles, and it added in early November 2004 that it is capable of "mass production" of it. <i>Agence France Presse</i> report (February 6, 2006) said January 2006 test succeeded. Related missiles claimed produced by Iran—both of about 1,200 mile range, include the "Ashoura" (claimed in November 2007); the "Ghadr" (displayed at military parade in September 2007); and the "Sijil," tested on November 12, 2008, (solid fuel). Iran apparently tested the "Sijil 2" successfully on May 20, 2009, but Secretary Gates said the range is likely closer to 1,200 miles than to 1,500. Still, this test potentially puts large portions of the Near East and Southeastern Europe in range, including U.S. bases in Turkey.
BM-25	1,500 mile range. On April 27, 2006, Israel's military intelligence chief said that Iran had received a shipment of North Korean-supplied BM-25 missiles. Missile said to be capable of carrying nuclear warheads. The <i>Washington Times</i> appeared to corroborate this reporting in a July 6, 2006, story, which asserted that the North Korean-supplied missile is based on a Soviet-era "SS-N-6" missile.
ICBM	U.S. officials believe Iran might be capable of developing an intercontinental ballistic missile (3,000 mile range) by 2015. In February 2008 Iran claimed to have launched a probe into space, suggesting its missile technology might be improving to the point where an Iranian ICBM is a realistic possibility.
Other Missiles	On September 6, 2002, Iran said it successfully tested a 200 mile range "Fateh 110" missile (solid propellant), and Iran said in late September 2002 that it had begun production. Iran also possesses a few hundred short-range ballistic missiles, including the <i>Shahab-1</i> (Scud-b), the <i>Shahab-2</i> (Scud-C), and the <i>Tondar-69</i> (CSS-8). In January 2009, Iran claimed to have tested a new air-to-air missile.
Space Vehicle	In August 2008, Iran apparently failed in an attempt to launch a small satellite into space when the second stage of the rocket failed. In early February 2009, Iran successfully launched a small, low-earth satellite on a <i>Safir-2</i> rocket (range about 155 miles). The Pentagon said the launch was "clearly a concern of ours" because "there are dual-use capabilities here which could be applied toward the development of long-range missiles."
Warheads	<i>Wall Street Journal</i> report of September 14, 2005, said that U.S. intelligence believes Iran is working to adapt the Shahab-3 to deliver a nuclear warhead. Subsequent press reports say that U.S. intelligence captured an Iranian computer in mid-2004 showing plans to construct a nuclear warhead for the Shahab. ²³ The IAEA is seeking additional information from Iran.

Foreign Policy and Support for Terrorist Groups

Iran's foreign policy is a product of the ideology of Iran's Islamic revolution, blended with long-standing national interests. Some interpret Iran's objectives as the overturning of the power structure in the Middle East that Iran believes favors the United States, Israel, and their "collaborators"—Sunni Muslim regimes such as Egypt, Jordan, and Saudi Arabia. The State Department report on international terrorism for 2008 released April 30, 2009, again stated (as it has for more than a decade) that Iran "remained the most active state sponsor of terrorism" in 2008, and it again attributed the terrorist activity primarily to the Qods Force of the Revolutionary

²³ Broad, William and David Sanger. "Relying On Computer, U.S. Seeks to Prove Iran's Nuclear Aims." *New York Times*, November 13, 2005.

Guard. The report focused particular attention on Iran's lethal support to Shiite militias in Iraq as well as on shipments to and training of "selected" Taliban fighters in Afghanistan.²⁴ On October 27, 2008, the deputy commander of the Basij became the first top Guard leader to publicly acknowledge that Iran supplies weapons to "liberation armies" in the region, a reference to pro-Iranian movements discussed below. During a visit to the Middle East in March 2009, Secretary of State Clinton said, after meeting with several Arab and Israeli leaders in the region, that "There is a great deal of concern about Iran from this whole region ..."

Relations with the Persian Gulf States

The Persian Gulf monarchy states (Gulf Cooperation Council, GCC: Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, and the United Arab Emirates) fear the growing strategic influence of Iran but they do not openly support U.S. conflict with Iran that might cause Iran to retaliate against Gulf state targets. At the same time, since the mid-1990s, Iran has tried to blunt Gulf state fears of Iran by curtailing activity, conducted during the 1980s and early 1990s, to sponsor Shiite Muslim extremist groups in these states, all of which are run by Sunni governments. Iran undertook this activity through the Qods Force and the MOIS. Iran found, to its detriment, that subversion caused the Gulf states to ally closely with the United States. In part to counter Iran's perceived growing influence in the Gulf, in December 2006 the summit of the GCC leaders announced that the GCC states might jointly study their own development of "peaceful nuclear technology." On the other hand, seeking to avoid further tensions with Iran, the GCC leaders invited Ahmadinejad to speak at the December 2-3, 2007, summit of the GCC leaders in Doha, Qatar, marking the first time an Iranian president has been invited since the GCC was formed in 1981. His speech reiterated a consistent Iranian theme that the Gulf countries, including Iran, should set up their own security structure without the help of "outside powers" but also called for a "new chapter" in Iran-GCC relations.

- *Saudi Arabia.* Many observers closely watch the relationship between Iran and Saudi Arabia because of Saudi alarm over the emergence of a pro-Iranian government in Iraq and Iran's ascendancy in Lebanon. Saudi Arabia sees itself as leader of the Sunni Muslim world and views Shiite Muslims as heretical and disloyal internally. The Saudis, who do not want a repeat of Iran's sponsorship of disruptive and sometimes violent demonstrations at annual Hajj pilgrimages in Mecca in the 1980s and 1990s—or an increase in Iranian support for Saudi Shiite dissidents—are receptive to easing tensions with Iran. They hosted Ahmadinejad in the Kingdom in March 2007 and again for the Hajj in December 2007. The Saudis continue to blame a pro-Iranian movement in the Kingdom, Saudi Hezbollah, for the June 25, 1996, Khobar Towers housing complex bombing, which killed 19 U.S. airmen.²⁵ After restoring relations in December 1991 (after a four-year break), Saudi-Iran ties progressed to high-level contacts during Khatemi's presidency, including Khatemi visits in 1999 and 2002.

²⁴ U.S. Department of State. *Country Reports on Terrorism 2007*. Released April 30, 2008. <http://www.state.gov/s/ct/rls/crt/2007/103711.htm>.

²⁵ Walsh, Elsa. "Annals of Politics: Louis Freeh's Last Case." *The New Yorker*, May 14, 2001. The June 21, 2001, federal grand jury indictments of 14 suspects (13 Saudis and a Lebanese citizen) in the Khobar bombing indicate that Iranian agents may have been involved, but no indictments of any Iranians were announced. In June 2002, Saudi Arabia reportedly sentenced some of the eleven Saudi suspects held there. The 9/11 Commission final report asserts that Al Qaeda might have had some as yet undetermined involvement in the Khobar Towers attacks.

- *United Arab Emirates (UAE)* concerns about Iran never fully recovered from the April 1992 Iranian expulsion of UAE security forces from the Persian Gulf island of Abu Musa, which it and the UAE shared under a 1971 bilateral agreement. (In 1971, Iran, then ruled by the U.S.-backed Shah, seized two other islands, Greater and Lesser Tunb, from the emirate of Ras al-Khaymah, as well as part of Abu Musa from the emirate of Sharjah.) The UAE (particularly the federation capital, Abu Dhabi, which takes a harder line than Dubai, which has an Iranian-origin resident community as large as 300,000 and business ties to Iran) wants to refer the dispute to the International Court of Justice (ICJ), but Iran insists on resolving the issue bilaterally. The UAE has not pressed the issue vigorously in recent years, although it formally protested Iran's setting up of a maritime and ship registration office on Abu Musa in July 2008. The UAE insists the islands dispute be kept on the agenda of the U.N. Security Council (which it has been since December 1971). The United States supports UAE proposals but takes no formal position on sovereignty. As an indicator of the degree to which the issue has faded, in May 2007 the UAE received Ahmadinejad (the highest level Iranian visit since the 1979 revolution) and allowed him to lead an anti-U.S. rally of a reported several hundred Iranian-origin residents of Dubai at a soccer stadium there. On the other hand, tensions have flared since late 2008 over UAE's policy of fingerprinting of Iranian visitors.
- *Qatar*, like most of the other Gulf states, does not seek confrontation and seeks to accommodate some of its interests, yet Qatar remains wary that Iran might eventually seek to encroach on its large North Field (natural gas). It shares that field with Iran (called South Pars on Iran's side) and Qatar earns large revenues from natural gas exports from it. Qatar's fears were heightened on April 26, 2004, when Iran's deputy Oil Minister said that Qatar is probably producing more gas than "her right share" from the field and that Iran "will not allow" its wealth to be used by others. These concerns might have prompted Qatar to invite Ahmadinejad to the December 2007 GCC summit in Qatar.
- *Bahrain* is about 60% Shiite, many of whom are of Persian origin, but its government is dominated by the Sunni Muslim Al Khalifa family. In 1981 and again in 1996, Bahrain publicly accused Iran of supporting Bahraini Shiite dissidents (the Islamic Front for the Liberation of Bahrain, Bahrain-Hezbollah, and other Bahraini dissident groups) in efforts to overthrow the ruling Al Khalifa family. Bahraini fears that Iran would try to interfere in Bahrain's November 25, 2006, parliamentary elections by providing support to Shiite candidates did not materialize, although the main Shiite opposition coalition won 18 out of the 40 seats of the elected body. Tensions have flared several times since July 2007 when Iranian editorialists and have asserted that Bahrain is part of Iran—that question was the subject of the 1970 U.N.-run referendum in which Bahrainis opted for independence. The issue flared again after a February 20, 2009, statement by Ali Akbar Nateq Nuri, an adviser to Khamene'i, that Bahrain was at one time an Iranian province. The statement caused major criticism of Iran throughout the region, and contributed to a decision by Morocco to break relations with Iran. Still, Bahrain has sought not to antagonize Iran and has apparently allowed Iran's banks to establish a presence in Bahrain's vibrant banking sector. On March 12, 2008, the Treasury Department sanctioned the Bahrain-based Future Bank under Executive order 13382 that sanctions proliferation entities. Future Bank purportedly is controlled by Bank Melli.

- *Oman.* Of the GCC states, the Sultanate of Oman is closest politically to Iran and has refused to ostracize or even harshly criticize Iranian policies. Some press reports say local Omani officials routinely turn a blind eye to or even cooperate in the smuggling of western goods to Iran.

Iranian Policy in Iraq

The U.S. military ousting of Saddam Hussein benefitted Iran strategically,²⁶ and during 2004-2008, U.S.-Iran differences in Iraq widened to the point where some were describing the competition as a U.S.-Iran “proxy war” inside Iraq. The acute source of tension was evidence, detailed by U.S. commanders in Iraq, that the *Qods* Force was providing arms (including highly lethal “explosively forced projectiles,” EFPs, that have killed U.S. soldiers in Iraq), training, guidance, and financing to “special groups” of Shiite militias involved in sectarian violence. The *New York Times* reported on May 5, 2008, that Lebanese Hezbollah militants, who are Arabs, were providing some of the training to the Iraq militants at training camps near Tehran.

However, recent Defense Department reports on Iraq stability corroborate a widespread perception that Iranian interference in Iraq has lessened, including fewer Iranian weapons shipments. This interference might lessen further if Iranian leaders become embroiled in a long term power struggle stemming from the disputed June 12, 2009, election in Iran. In Iraq itself, the Shiite militias and political parties that benefit most from Iranian support fared poorly in the January 31, 2009, provincial elections in Iraq, and the results were viewed as a setback for Iran’s influence in Iraq. Iran also was unable to derail the U.S.-Iraq defense pact (which took effect January 1, 2009). In January 2009, Iraqi Prime Minister Nuri al-Maliki visited Iran for the fourth time since he became Prime Minister, reportedly to assure Iran that the pact did not threaten Iran.

Iran also has signed a number of agreements with Iraq on transportation, energy cooperation, free flow of Shiite pilgrims, border security, intelligence sharing, and other cooperation; several more agreements, including a \$1 billion credit line for Iranian exports to Iraq, were signed during Ahmadinejad’s March 2-3, 2008, visit to Iraq; implementing agreements were signed in April 2008. The two countries now do about \$4 billion in bilateral trade. Additional Iranian credits and trade issues were reportedly discussed during a March 2009 visit to Iran by Iraqi President Jalal Talabani, although many suspect there were also discussions of additional Iranian help to develop the Kurdish region of Iraq (Talabani is a Kurd).

After at first rejecting dialogue with Iran on the Iraq issue, the George W. Bush Administration supported and attended several regional conferences on Iraq, attended by Iran, and undertook significant bilateral talks with Iran on the Iraq issue. The first such meeting, in Baghdad, was on May 28, 2007; the two sides met at the home of Prime Minister Maliki, who opened the meeting. According to then U.S. Ambassador to Iraq Ryan Crocker (the Iranian side was represented by the Iranian Ambassador to Iraq), the two sides agreed on broad principles for Iraq’s political evolution and stability, but the United States would judge the dialogue by Iran’s cessation of supplies to Shiite militias. Another round of talks was held on July 24, 2007, resulting in an agreement to establish a working group to discuss ways to stabilize Iraq. This group met for the first time on August 6, 2007. Because of signs that Iran had slowed weapons flows into Iraq, another round of talks was tentatively scheduled for December 18, 2007, but Iran repeatedly

²⁶ This issue is covered in greater depth in CRS Report RS22323, *Iran's Activities and Influence in Iraq*, by Kenneth Katzman.

postponed the talks because of differences over the agenda and the level of talks (Iran wanted them to be at the ambassador level). On May 5, 2008, Iran indefinitely suspended this dialogue, and, in February 2009, Iran said there was no need to resume it.

A provision of the FY2008 defense authorization bill (P.L. 110-181) required a report to Congress on Iran's interference in Iraq, but it did not authorize or recommend use of U.S. force to stop these actions. On January 9, 2008, the Treasury Department took action against suspected Iranian and pro-Iranian operatives in Iraq by designating four individuals and one organization as a threat to stability in Iraq under the July 17, 2007 Executive Order 13438, which freezes the assets and bans transactions with named individuals. The named entities, which includes a senior Qods Forces leader, are in the tables on sanctioned entities.

Supporting Palestinian Militant Groups

Iran's support for Palestinian militant groups has long concerned U.S. Administrations, as part of an apparent effort by Tehran to obstruct an Israeli-Palestinian peace that Iran believes would strengthen the United States and Israel. Ahmadinejad's various statements on Israel were discussed above, although other Iranian leaders have made similar statements in the past, and Ahmadinejad has asserted that the Palestinian people were unfairly forced to accept the creation of Israel to compensate worldwide Jewry for the Holocaust. In the 1990s, Khamene'i called Israel a "cancerous tumor" and made other statements suggesting that he seeks Israel's destruction. He used that term again during a March 4, 2009, press conference in Tehran. In December 2001, Rafsanjani said that it would take only one Iranian nuclear bomb to destroy Israel, whereas a similar strike against Iran by Israel would have far less impact because Iran's population is large. Iran has sometimes openly incited anti-Israel violence, including hosting conferences of anti-peace process organizations (April 24, 2001, and June 2-3, 2002). During his presidency, Khatemi also issued sharp criticisms and recriminations against Israel, but he also conversed with Israel's president at the 2005 funeral of Pope John Paul II. Khatemi was perceived as supporting the Iranian Foreign Ministry, considered a bastion of moderates, which states that Iran's official position is that it would not seek to block an Israeli-Palestinian settlement but that the peace process is too weighted toward Israel to result in a fair settlement.

Iran and Hamas

The State Department report on terrorism for 2007 (mentioned above) again accused Iran of providing "extensive" funding, weapons, and training to Hamas, Palestinian Islamic Jihad (PIJ), the Al Aqsa Martyr's Brigades, and the Popular Front for the Liberation of Palestine-General Command (PFLP-GC). All are named as foreign terrorist organizations (FTO) by the State Department for their use of violence to undermine the Arab-Israeli peace process. Some saw Iran's regional policy further strengthened by Hamas's victory in the January 25, 2006, Palestinian legislative elections, and even more so by Hamas's June 2007 armed takeover of the Gaza Strip. The Hamas gains potentially positioned it to block any peace settlement with Israel. Hamas activists downplay Iranian influence on them, asserting that Iran is mostly Shiite, while Hamas members are Sunni Muslims.²⁷ Hamas was reputed to receive about 10% of its budget in the early 1990s from Iran, although since then Hamas has cultivated funding from wealthy Persian Gulf donors and supporters in Europe and elsewhere.

²⁷ CNN "Late Edition" interview with Hamas co-founder Mahmoud Zahar, January 29, 2006.

Still, it was evident from the December 27, 2008, - January 17, 2009, Israel-Hamas war in Gaza, that Iran provides material support to Hamas. Joint Chiefs Chairman Adm. Mike Mullen said on January 27, 2009, that the United States boarded but did not seize a ship carrying light arms to Hamas from Iran; the ship (the *Monchegorsk*) later went to Cyprus. On March 11, 2009, a U.N. committee monitoring Iran's compliance with Resolution 1747, which bans Iranian arms exports, said Iran might have violated that resolution with the alleged shipment. Hamas appeared to corroborate allegations of Iranian weapons supplies when its exiled leader, Khaled Meshal, on February 1, 2009, publicly praised Iran for helping Hamas achieve "victory" over Israel in the conflict.²⁸ On December 29, 2008, Khamene'i said that Muslims worldwide were "duty-bound" to defend Palestinians in the Gaza Strip against the Israeli offensive against the Hamas-run leadership there, but the Iranian leadership did not attempt to send Iranian volunteers to Gaza to fight on Hamas' behalf. Iranian weaponry might also have been the target of a January 2009 strike on a weapons delivery purportedly bound for Gaza in transit via Sudan (presumably via Egypt).

Sunni Arab leaders in Egypt, Jordan, Saudi Arabia, and throughout the region apparently fear Iran's growing regional influence and reported Iranian support for efforts to discredit these leaders for what Iran considers insufficient support for Hamas in its recent war with Israel. Some Iranian efforts reportedly involve establishing Hezbollah cells in some of these countries, particularly Egypt, purportedly to stir up opposition to these governments and build public support for Hezbollah and Hamas.²⁹ These countries are also said to fear that President Obama's outreach to Iran might lead the United States to downplay their concerns about Iran—a sentiment that Secretary of Defense Gates tried to allay during his visit to the Middle East in May 2009.

Lebanese Hezbollah and Syria

Iran has maintained a close relationship with Hezbollah since the group was formed in 1982 by Lebanese Shiite clerics who were sympathetic to Iran's Islamic revolution and belonged to the Lebanese Da'wa Party. Hezbollah was responsible for several acts of anti-U.S. and anti-Israel terrorism in the 1980s and 1990s.³⁰ Hezbollah's attacks on Israeli forces in southern Lebanon contributed to an Israeli withdrawal in May 2000, but, despite United Nations certification of Israel's withdrawal, Hezbollah maintained military forces along the border. Hezbollah continued to remain armed and outside Lebanese government control, despite U.N. Security Council Resolution 1559 (September 2, 2004) that required its dismantlement. In refusing to disarm, Hezbollah says it was resisting Israeli occupation of some Lebanese territory (Shib'a Farms).

Neither Israel nor the United States opposed Hezbollah's progressively increased participation in peaceful Lebanese politics. In March 2005, President George W. Bush indicated that the United States might accept Hezbollah as a legitimate political force in Lebanon if it disarms. In the

²⁸ Hamas Leader Praises Iran's Help in Gaza 'Victory.' CNN.com. February 1, 2009.

²⁹ Slackman, Michael. "Egypt Accuses Hezbollah of Plotting Attacks in Sinai and Arms Smuggling to Gaza." New York Times, April 14, 2009

³⁰ Hezbollah is believed responsible for the October 1983 bombing of the U.S. Marine barracks in Beirut, as well as attacks on U.S. Embassy Beirut facilities in April 1983 and September 1984, and for the hijacking of TWA Flight 847 in June 1985 in which Navy diver Robert Stetham was killed. Hezbollah is also believed to have committed the March 17, 1992, bombing of Israel's embassy in that city, which killed 29 people. Its last known terrorist attack outside Lebanon was the July 18, 1994, bombing of a Jewish community center in Buenos Aires, which killed 85. On October 31, 2006, Argentine prosecutors asked a federal judge to seek the arrest of Rafsanjani, former Intelligence Minister Ali Fallahian, former Foreign Minister Ali Akbar Velayati, and four other Iranian officials for this attack.

Lebanese parliamentary elections of May–June 2005, Hezbollah expanded its presence in the parliament to 14 out of the 128-seat body, and it gained two cabinet seats. As a matter of policy, the United States does not meet with any Hezbollah members, even those in the parliament or cabinet. Hezbollah is a designated FTO, but that designation bars financial transactions by the group and does not specifically ban meeting with members of the group.

Although Iran likely did not instigate Lebanese Hezbollah to provoke the July-August 2006 crisis, Iran has long been its major arms supplier. Hezbollah fired Iranian-supplied rockets on Israel's northern towns during the fighting. Reported Iranian shipments to Hezbollah prior to the conflict included the "Fajr" (dawn) and Khaybar series of rockets that were fired at the Israeli city of Haifa (30 miles from the border), and over 10,000 Katyusha rockets that were fired at cities within 20 miles of the Lebanese border.³¹ Iran also supplied Hezbollah with an unmanned aerial vehicle (UAV), the *Mirsad*, that Hezbollah briefly flew over the Israel-Lebanon border on November 7, 2004, and April 11, 2005; at least three were shot down by Israel during the conflict. On July 14, 2006, Hezbollah apparently hit an Israeli warship with a C-802 sea-skimming missile probably provided by Iran. (See above for information on Iran's acquisition of that weapon from China.) Iran also purportedly provided advice during the conflict; about 50 Revolutionary Guards Qods Force personnel were in Lebanon (down from about 2,000 when Hezbollah was formed, according to a *Washington Post* report of April 13, 2005) when the conflict began; that number might have increased during the conflict to help Hezbollah operate the Iran-supplied weaponry.

Even though Hezbollah reduced its overt military presence in southern Lebanon in accordance with the conflict-related U.N. Security Council Resolution 1701 (July 31, 2006), Hezbollah was perceived as a victor in the war for holding out against heavy Israeli air-strikes and some ground action. Iran supported Hezbollah's demands and provided it with leverage by resupplying it, after the hostilities, with 27,000 rockets, more than double what Hezbollah had at the start of the 2006 war.³² Among the post-war deliveries were 500 Iranian-made "Zelzal" (Earthquake) missiles with a range of 186 miles, enough to reach Tel Aviv from south Lebanon. Iran also made at least \$150 million available for Hezbollah to distribute to Lebanese citizens (mostly Shiite supporters of Hezbollah) whose homes were damaged in the Israeli military campaign.³³ The State Department terrorism report for 2008, referenced above, for the first time specifies Iranian aid to Hezbollah as exceeding \$200 million in 2008, and says that Iran trained over 3,000 Hezbollah fighters in Iran during the year.

Perhaps emboldened by the supplies, Hezbollah, perhaps for the first time, used its military wing for internal Lebanese political purposes. In mid May 2008, Hezbollah fighters took over large parts of Beirut in response to an attempt by the U.S. and Saudi-backed Lebanese government to curb Hezbollah's media and commercial operations. The success of its fighters contributed to a Qatar-brokered settlement on May 21, 2008, in which the majority coalition agreed to give Hezbollah and its allies enough seats in a new cabinet to be able to veto government decisions. Hezbollah agreed to the compromise candidate of Lebanese Army commander Michel Suleiman to become the new president. The cabinet, in which Hezbollah had one cabinet seat but its allies had seven others, giving Hezbollah its long-sought veto power, was appointed in June 2008.

³¹"Israel's Peres Says Iran Arming Hizbollah." Reuters, February 4, 2002.

³² Rotella, Sebastian. "In Lebanon, Hezbollah Arms Stockpile Bigger, Deadlier." *Los Angeles Times*, May 4, 2008.

³³ Shadid, Anthony. "Armed With Iran's Millions, Fighters Turn to Rebuilding." *Washington Post*, August 16, 2006.

Hezbollah was viewed as a strong competitor in upcoming Lebanese elections, but its coalition won 57 seats in the elections, failing to overturn the majority of the pro-U.S. factions led by Sa'd al-Hariri, son of assassinated leader Rafiq Hariri, which won 71 seats (one more than they had previously). A victory by Hezbollah allies would have represented a boost for Tehran's regional influence and a setback to U.S. policy.

Syria

Iran's support for Hezbollah is linked in many ways to its alliance with Syria. Syria is the transit point for the Iranian weapons shipments to Hezbollah and both countries see Hezbollah as leverage against Israel to achieve their regional and territorial aims. In order to preserve its links to Syria, which is one of Iran's few real allies, Iran purportedly has acted as an intermediary with North Korea to supply Syria with various forms of WMD and missile technology. Some see Israel-Syria negotiations as means to wean Syria away from its alliance with Iran by helping Syria achieve its territorial demands, particularly the Golan Heights, lost to Israel in 1967. Iran also is a major investor in the Syrian economy, which attracts very little western investment.

Central Asia and the Caspian

Iran's policy in Central Asia has thus far emphasized Iran's rights to Caspian Sea resources, particularly against Azerbaijan. That country's population, like Iran's, is mostly Shiite Muslim, but its leadership is secular. In addition, Azerbaijan is ethnically Turkic, and Iran fears that Azerbaijan nationalists might stoke separatism among Iran's large Azeri Turkic population, which demonstrated some unrest in 2006. These factors could explain why Iran has generally tilted toward Armenia, which is Christian, even though it has been at odds with Azerbaijan over territory and control of ethnic Armenians. In July 2001, Iranian warships and combat aircraft threatened a British Petroleum (BP) ship on contract to Azerbaijan out of an area of the Caspian that Iran considers its own. The United States called that action provocative, and it is engaged in border security and defense cooperation with Azerbaijan directed against Iran (and Russia). The United States successfully backed construction of the Baku-Tblisi-Ceyhan oil pipeline, intended in part to provide alternatives to Iranian oil. Along with India and Pakistan, Iran has been given observer status at the Central Asian security grouping called the Shanghai Cooperation Organization (SCO—Russia, China, Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan). In April 2008, Iran applied for full membership in the organization, which opposes a long-term U.S. presence in Central Asia.

Afghanistan and Pakistan³⁴

Iran is viewed by U.S. officials as pursuing a multi-track strategy—attempting to help develop Afghanistan and enhance its influence there, while also building leverage against the United States by arming anti-U.S. militant groups. Iran is particularly interested in restoring some of its traditional sway in eastern, central, and northern Afghanistan where Persian-speaking Afghans predominate.

³⁴ See CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman.

The State Department terrorism report for 2008 again accuses the Qods Force of supplying various munitions, including 107mm rockets, to Taliban and other militants in Afghanistan; some Taliban commanders openly say they are obtaining Iranian weapons. The 2008 reports also, and for the first time, accuses Iran of training Taliban fighters in small unit tactics, small arms use, explosives, and indirect weapons fire. Among specific shipments noted by the United States: on April 17, 2007, U.S. military personnel in Afghanistan captured a shipment of Iranian weapons that purportedly was bound for Taliban fighters. On June 6, 2007 and again on September 6, 2007, NATO officers said they directly intercepted Iranian shipments of heavy arms, C4 explosives, and advanced roadside bombs (explosively forced projectiles, or EFPs, such as those found in Iraq) to Taliban fighters in Afghanistan. U.S. commanders in Afghanistan maintain that the intercepted shipments are large enough that the Iranian government would have to have known about them. On January 27, 2009, Secretary of Defense Gates testified (Senate Armed Services Committee) that Iran has slightly increased shipments of EFP's (see Iraq section) into Afghanistan. Some U.S. officials alleged in March 2009 that Iran might also have contact with the militant faction of Jalaludin Haqqani, who is purportedly based in Pakistan and is fighting the Afghan government and U.S. forces there.

These shipments and contacts have caused debate over Iran's goals because Iran long opposed the regime of the Taliban in Afghanistan on the grounds that it oppressed Shiite Muslim and other Persian-speaking minorities. Iran nearly launched a military attack against the Taliban in September 1998 after Taliban fighters captured and killed nine Iranian diplomats based in northern Afghanistan, and Iran provided military aid to the Northern Alliance factions. During the major combat phase of the post-September 11 U.S.-led war in Afghanistan, Iran offered search and rescue of any downed service-persons and the trans-shipment to Afghanistan of humanitarian assistance. Iran and U.S. diplomats were in continuous contact in forging a post-Taliban government in Afghanistan at the December 2001 "Bonn Conference." In March 2002, Iran expelled Gulbuddin Hikmatyar, an Afghan militant leader; it froze his assets in January 2005.

After 2004, Iran's influence waned somewhat as Northern Alliance figures were marginalized in Afghan politics. To rebuild that influence, Iran has funded projects in Afghanistan that total about \$1.2 billion million since 2001 (close to a pledged amount in international donors conferences), mostly in neighboring Herat but also in Kabul (Shiite theological seminaries there). Iran's construction of Shiite mosques and seminaries could indicate Iran is trying to support Afghanistan's Shiite (Hazara tribe) minority, and Iran has funded several media outlets in Afghanistan catering to Shiites.

At the same time, some commanders, including CENTCOM Commander Gen. David Petraeus, have said that U.S. engagement with Iran on Afghanistan might help U.S. stabilization efforts there. Others say that working with Iran on Afghanistan might help build a broader understanding with Iran on other issues, including the nuclear issue. Some press reports say that, despite Iran's assistance to the Taliban, Defense Department planners might even be evaluating the feasibility of using an Iranian route to ship U.S. equipment into Afghanistan as an alternative to the frequently attacked route through Pakistan. Other accounts say an Iranian supply route might be used by non-U.S. partners of NATO for their missions in Afghanistan.

Perhaps in recognition of Iran's role in Afghanistan, or as part of a broader effort to build dialogue with Iran, the United States invited Iran to an international conference on Afghanistan held in the Netherlands on March 31, 2009. Iran's representatives there had a brief side exchange there with U.S. special representative for Afghanistan and Pakistan Ambassador Richard

Holbrooke. At the meeting, Iran pledged cooperation on preventing drug smuggling out of Afghanistan and in helping economically develop that country.

Pakistan

Iran's relations with Pakistan have been partly a function of events in Afghanistan. Iran had a burgeoning military cooperation with Pakistan in the early 1990s, and as noted Iran's nuclear program benefitted from the A.Q. Khan network. However, Iran-Pakistan relations became strained in the 1990s when Pakistan was supporting the Taliban in Afghanistan, which committed alleged atrocities against Shiite Afghans (Hazara tribe), and which seized control of Persian-speaking areas of Afghanistan. Currently, Iran remains suspicious that Pakistan might want to again implant the Taliban in power in Afghanistan—and Iran itself is aiding the Taliban to some extent—but Iran and Pakistan now have a broad agenda that includes a potential major gas pipeline project, discussed further below.

Al Qaeda

Iran is not a natural ally of Al Qaeda, largely because Al Qaeda is an orthodox Sunni Muslim organization. The 9/11 Commission report said several of the September 11 hijackers and other plotters, possibly with official help, might have transited Iran, but the report does not assert that the Iranian government cooperated with or knew about the plot. Another bin Laden ally, Abu Musab al-Zarqawi, killed by U.S. forces in Iraq on June 7, 2006, reportedly transited Iran after the September 11 attacks and took root in Iraq, becoming an insurgent leader there.

However, Iran might see possibilities for tactical alliance with Al Qaeda, and U.S. officials have said since January 2002 that Iran has not prosecuted or extradited senior Al Qaeda operatives (spokesman Sulayman Abu Ghaith, top operative Sayf Al Adl, and Osama bin Laden's son, Saad³⁵). All have been believed to be in Iran,³⁶ although some U.S. officials said in January 2009 that Saad bin Laden might have left Iran and could be in Pakistan. That information was publicized a few days after the Treasury Department (on January 16, 2009) designated four Al Qaeda operatives in Iran, including Saad bin Laden (and three lesser known figures) as terrorist entities under Executive Order 13224. (U.S. officials blamed Saad bin Laden, Adl, and Abu Ghaith for the May 12, 2003, bombings in Riyadh, Saudi Arabia against four expatriate housing complexes on these operatives, saying they have been able to contact associates outside Iran.³⁷)

Iran asserted on July 23, 2003, that it had “in custody” senior Al Qaeda figures. However, some experts believe that hardliners in Iran might want to use Al Qaeda activists as leverage against the United States and its allies. Some say Iran might want to exchange them for a U.S. hand-over of PMOI activists under U.S. control in Iraq. Possibly attempting to show that it is an adversary and not an ally of Al Qaeda, on July 16, 2005, Iran's Intelligence Minister said that 200 Al Qaeda members are in Iranian jails.³⁸

³⁵ Gertz, Bill. “Al Qaeda Terrorists Being Held by Iran.” *Washington Times*, July 24, 2003.

³⁶ Keto, Alex. “White House Reiterates Iran Is Harboring Al Qaeda.” *Dow Jones Newswires*, May 19, 2003.

³⁷ Gertz, Bill. “CIA Points to Continuing Iran Tie to Al Qaeda.” *Washington Times*, July 23, 2004.

³⁸ “Tehran Pledges to Crack Down on Militants.” Associated Press, July 18, 2005.

Latin America

A growing concern has been Iran's developing relations with countries and leaders in Latin America considered adversaries of the United States, particularly Cuba and Venezuela's Hugo Chavez. In February 2006, Secretary of State Rice referred to Venezuela and Cuba as "sidekicks" of Iran because of their votes in the IAEA against referring Iran to the Security Council. On January 27, 2009, Secretary of Defense Gates said Iran was trying to build influence in Latin America by expanding front companies and opening offices in countries there. On October 30, 2007, then Secretary of Homeland Security Michael Chertoff said that Iran's relationship with Venezuela is an emerging threat because it represents a "marriage" of Iran's extremist ideology with "those who have anti-American views." Chavez has visited Iran on several occasions, offering Iran additional gasoline during Iran's fuel shortages in 2007 as well as joint oil and gas projects. The two countries have established direct air links, and 400 Iranian engineers have reportedly been sent to Venezuela to work on infrastructure projects there. The State Department terrorism report for 2006 said that Cuba maintains "close relationships with other state sponsors of terrorism such as Iran." In October 2007, Uruguayan parliamentary investigators said they blocked an attempt by the government to buy arms from Iran, using a diversion through Venezuela.³⁹ Iran is also trying to extend its influence in Latin America by offering Bolivia \$1 billion in aid and investment, according to an *Associated Press* report of November 23, 2008.

India

Iran and India have cultivated good relations with each other in order to enable each to pursue its own interests and avoid mutual conflict. The two backed similar anti-Taliban factions in Afghanistan during 1996-2001 and have a number of mutual economic and even military-to-military relationships and projects, discussed further in CRS Report RS22486, *India-Iran Relations and U.S. Interests*, by K. Alan Kronstadt and Kenneth Katzman.

One aspect of the relationship involves not only the potential building of a natural gas pipeline from Iran, through Pakistan, to India, but also the supplies of gasoline to Iran. A key supplier is Reliance Industries Ltd., which by some accounts supplies up to 40% of Iran's imports of gasoline. In December 2008, some Members of Congress expressed opposition to a decision by the Export-Import Bank to provide up to \$900 million in loan guarantees to Reliance, because of its relationship with Iran. Reliance subsequently announced that it was ending new gas sales to Iran, although observers say deliveries continue. Another source of U.S. concern has been visits to India by some Iranian naval personnel.

Africa

Some Members of Congress are concerned that Iran is support radical Islamist movements in Africa. In the 111th Congress, H.Con.Res. 16 cites Hezbollah for engaging in raising funds in Africa by trafficking in "conflict diamonds." Iran also might have supplied Islamists in Somalia with anti-aircraft and anti-tank weaponry. The possible transfer of weaponry to Hamas via Sudan was discussed above.

³⁹ Arostegui, Martin. "Uruguay Caught Buying Iran Arms." *Washington Times*, October 12, 2007.

U.S. Policy Responses, Options, and Legislation

The February 11, 1979 fall of the Shah of Iran, a key U.S. ally, opened the long and deep rift in U.S.-Iranian relations. On November 4, 1979, radical “students” seized the U.S. Embassy in Tehran and held its diplomats hostage until minutes after President Reagan’s inauguration on January 20, 1981. The United States broke relations with Iran on April 7, 1980 (just after the failed U.S. military attempt to rescue the hostages) and the two countries have had only limited official contact since.⁴⁰ The United States tilted toward Iraq in the 1980-1988 Iran-Iraq war, including U.S. diplomatic attempts to block conventional arms sales to Iran, providing battlefield intelligence to Iraq⁴¹ and, during 1987-1988, direct skirmishes with Iranian naval elements in the course of U.S. efforts to protect international oil shipments in the Gulf from Iranian mines and other attacks. In one battle on April 18, 1988 (“Operation Praying Mantis”), Iran lost about a quarter of its larger naval ships in a one-day engagement with the U.S. Navy, including one frigate sunk and another badly damaged. Iran strongly disputed the U.S. assertion that the July 3, 1988, U.S. shoot-down of Iran Air Flight 655 by the *U.S.S. Vincennes* over the Persian Gulf (bound for Dubai, UAE) was an accident.

In his January 1989 inaugural speech, President George H.W. Bush laid the groundwork for a rapprochement, saying that, in relations with Iran, “goodwill begets goodwill,” implying better relations if Iran helped obtain the release of U.S. hostages held by Hezbollah in Lebanon. Iran reportedly did assist in obtaining their releases, which was completed in December 1991, but no thaw followed, possibly because Iran continued to back groups opposed to the U.S.-sponsored Middle East peace process, a major U.S. priority.

Policy During the Clinton and George W. Bush Administrations

Upon taking office in 1993, the Clinton Administration moved to further isolate Iran as part of a strategy of “dual containment” of Iran and Iraq. In 1995 and 1996, the Clinton Administration and Congress added sanctions on Iran in response to growing concerns about Iran’s weapons of mass destruction, its support for terrorist groups, and its efforts to subvert the Arab-Israeli peace process. The election of Khatemi in May 1997 precipitated a U.S. shift toward engagement; the Clinton Administration offered Iran official dialogue, with no substantive preconditions. In January 1998, Khatemi publicly agreed to “people-to-people” U.S.-Iran exchanges as part of his push for “dialogue of civilizations, but he ruled out direct talks. In a June 1998 speech, then Secretary of State Albright stepped up the U.S. outreach effort by calling for mutual confidence building measures that could lead to a “road map” for normalization of relations. Encouraged by the reformist victory in Iran’s March 2000 parliamentary elections, Secretary Albright, in a March 17, 2000, speech, acknowledged past U.S. meddling in Iran, announcing some minor easing of the U.S. trade ban with Iran, and promised to try to resolve outstanding claims disputes. In September 2000 U.N. “Millennium Summit” meetings, Albright and President Clinton sent a positive signal to Iran by attending Khatemi’s speeches.

⁴⁰ An exception was the abortive 1985-1986 clandestine arms supply relationship with Iran in exchange for some American hostages held by Hezbollah in Lebanon (the so-called “Iran-Contra Affair”). Iran has an interest section in Washington D.C. under the auspices of the Embassy of Pakistan; it is staffed by Iranian-Americans. The U.S. interest section in Tehran has no American personnel; it is under the Embassy of Switzerland.

⁴¹ Sciolino, Elaine. *The Outlaw State: Saddam Hussein’s Quest for Power and the Gulf Crisis*. New York: John Wiley and Sons, 1991. p. 168.

George W. Bush Administration Policy

The George W. Bush Administration policy priority was to prevent Iran from obtaining a nuclear weapons capability, believing that a nuclear Iran would be even more assertive in attempting to undermine U.S. objectives in the Middle East than it already is. The George W. Bush Administration undertook multi-faceted efforts to limit Iran's strategic capabilities through international diplomacy and sanctions—both international sanctions as well as sanctions enforced by its allies, outside Security Council mandate. At the same time, the Administration engaged in bilateral diplomacy with Iran on specific priority issues, such as Afghanistan and Iraq. The policy framework was supported by maintenance of a large U.S. conventional military capabilities in the Persian Gulf and through U.S. alliances with Iran's neighbors.

At times, the George W. Bush Administration considered or pursued harder options. Some Administration officials, reportedly led by Vice President Cheney, believed that policy should focus on using the leverage of possible military confrontation with Iran or on U.S. efforts to change Iran's regime.⁴² Legislation in the 110th Congress indicated support for increasing U.S. sanctions and for steps to compel other foreign companies to curtail business dealings with Iran.⁴³

Overview of Obama Administration Policy

Obama Administration officials say the Administration shares the goals of the previous Administration to prevent Iran from acquiring a nuclear weapons capability, as well as to curtail Iran's meddling in the affairs of its neighbors and trying to frustrate some regional U.S. initiatives. However, President Obama has said the United States would be responsive to an Iranian "unclenched fist," and that the Administration has a "new approach" that attempts broader direct diplomacy with Iran than was the case during the George W. Bush Administration. Possibly in an effort to coax Iran into direct talks, Obama Administration officials have not indicated support for military action should Iran continue to pursue its nuclear program—although that option has not been explicitly taken "off the table" by President Obama—and they have generally eschewed "regime-change" in Iran to accomplish U.S. goals.

Some Obama Administration officials, including Dennis Ross, who was named in late February 2009 as an adviser to Secretary of State Clinton for "Southwest Asia" (a formulation understood to center on Iran), believe that direct diplomacy alone will not necessarily persuade Iran to alter course. Ambassador Ross has, in outside writings, called for U.S. partners to present Iran with clear alternatives to its policies — both clearer incentives and clearer punishments if Iran continues to refuse cooperation on the nuclear issue, in particular. At the same time, Administration officials have told U.S. partners that U.S. diplomacy with Iran is intended to complement, not supplant, joint multilateral diplomacy that presents a united western front to Iran. However, there were several major press reports on June 15, 2009, indicating that Ambassador Ross might be reassigned from State Department to a similar or possibly even expanded Iran policy role at the White House.

⁴² Cooper, Helene and David Sanger. "Strategy on Iran Stirs New Debate at White House." *New York Times*, June 16, 2007.

⁴³ The FY2007 defense authorization law (P.L. 109-364) called for a report by the Administration on all aspects of U.S. policy and objectives on Iran (and required the DNI to prepare a national intelligence estimate on Iran, which was released on December 3, 2007 as discussed above).

Implementation of the Engagement Policy

The Obama Administration's has begun to implement a policy of attempting to directly engage Iran. Prior to the June 12 election, the steps to engage Iran taken to date included:

- The message to the Iranian people by President Obama on the occasion of Nowruz (Persian New Year), March 21, 2009. Experts noted particularly the President's reference to "The Islamic Republic of Iran," a formulation that appears to suggest that the United States fully accepts the Islamic revolution in Iran and is not seeking "regime change."
- The major speech to the "Muslim World" in Cairo on June 4, 2009, in which President Obama said the United States had played a role in the overthrow of Mossadeq, and said that Iran had a right to peaceful nuclear power if it complies with its responsibilities under the NPT.
- The public invitation for Iran to attend the March 31, 2009, conference on Afghanistan in the Netherlands, discussed above.
- The U.S. announcement on April 8 that it would attend all future P5+1 meetings with Iran.
- The Administration's suspension of seeking new P5+1 agreement on additional U.N. sanctions, pending the outcome of the Administration outreach to Iran.
- The loosening of restrictions on U.S. diplomats to meet their Iranian counterparts at international meetings, and the message to U.S. embassies abroad that they can invite Iranian diplomats to upcoming celebrations of U.S. Independence Day (July 4).
- On the other hand, President Obama issued a formal one year extension of the U.S. ban on trade and investment with Iran on March 15, 2009, (see "U.S. Ban on Trade and Investment with Iran," below).

Supreme Leader Khamene'i, in his Nowruz message to Iran, answered the Obama message by saying that the United States needs to take "concrete steps" to show sincerity, such as unfreezing Iranian assets, lifting U.S. sanctions, and resolving the case of the 1988 downing of an Iranian airliner (see below for further information on these issues). President Ahmadinejad's position has been that Iran is ready for dialogue with the United States if it is part of a fundamental change in the U.S. stance from what Iran sees as hostility and is "honest." However, this is not the unambiguous, positive response to the overtures sought by the Administration. President Obama indicated on May 18, 2009, that major additional steps would likely wait until after Iran's presidential election. Prior to the June 12 elections, he also said that he would evaluate, at the end of 2009, whether his policy of direct diplomacy with Iran had yielded results; this was an apparent nod to some strategists in the United States, Israel, and elsewhere that Iran is likely to use direct diplomacy to derail the imposition of new U.N. sanctions while pursuing its nuclear capability apace. Some in the Administration, including by Secretary of Defense Gates and Secretary of State Clinton, have expressed skepticism that the overtures would produce clear results.

The dispute over the June 12 election could complicate the Administration outreach. In the immediate aftermath of the election, President Obama, as noted, indicated that U.S. policy would not change because of the dispute, because U.S. goals and interests were not changed by the

dispute. However, the directions the unrest might take, and the Iranian response, could make it more difficult for the Administration to engage Ahmadinejad's government if its legitimacy continues to be questioned within Iran, or if it continues to use force against protesters. On the other hand, it is possible that Ahmadinejad and senior leaders might try to accommodate Musavi's views by moderating some Iranian policies, which would in that event perhaps facilitate U.S. outreach. It is also possible that the relatively restrained reaction of the Administration on the election dispute could cause Iran's leaders to take a more optimistic view of dealing with the Obama Administration than was the case previously.

Enhanced U.S. Interests Section

On specific future steps toward greater engagement, the George W. Bush Administration said in late 2008 that it would leave to the Obama Administration a decision on whether to staff the U.S. interests section in Tehran with U.S. personnel, who would mostly process Iranian visas and help facilitate U.S.-Iran people-to-people contacts. The current interests section is under the auspices of the Swiss Embassy. The Obama Administration appeared inclined toward that step as well but no decision has been announced, to date. A potential factor in the interests section decision could be a storming of a British diplomatic facility by 50 Iranian students on December 30, 2008, protesting what they said was Britain's bias toward Israel. In a related development, in February 2009, the British Council, a global cultural institution run by the British government, said it had been forced to suspend its activities in Iran because of purported intimidation of its staff in Tehran. Further clouding the prospects for enhanced exchanges, in February 2009 Iran denied visas to a female badminton team to compete in Iran.

Engagement Efforts During the George W. Bush Administration

Prior to 2008, the George W. Bush Administration directly engaged Iran on specific regional priority (Afghanistan and Iraq) and humanitarian issues. The United States had a dialogue with Iran on Iraq and Afghanistan from late 2001 until May 2003, when the United States broke off the talks following the May 12, 2003, terrorist bombing in Riyadh. At that time, the United States and Iran publicly acknowledged that they were conducting direct talks in Geneva on those two issues,⁴⁴ the first confirmed direct dialogue between the two countries since the 1979 revolution. The United States briefly resumed some contacts with Iran in December 2003 to coordinate U.S. aid to victims of the December 2003 earthquake in Bam, Iran, including a reported offer—rebuffed by Iran—to send a high-level delegation to Iran including Senator Elizabeth Dole and reportedly President George W. Bush's sister, Dorothy.

Regarding a broader dialogue with Iran on nuclear and other issues, since 2006—and prior to the July 2008 decision to have Undersecretary Burns attend the July 19 nuclear issues meeting—the George W. Bush Administration maintained it would join multilateral nuclear talks, or even potentially engage in direct bilateral talks, only if Iran first suspends uranium enrichment. Some believe the Administration position was based on a view that offering to participate in a nuclear dialogue with Iran would later increase international support for sanctions and other pressure mechanisms by demonstrating the willingness of the Administration to resolve the issue diplomatically.

⁴⁴ Wright, Robin. "U.S. In 'Useful' Talks With Iran." *Los Angeles Times*, May 13, 2003.

The George W. Bush Administration did indicate that it considers Iran a great nation and respects its history; such themes were prominent in speeches by President George W. Bush such as at the Merchant Marine Academy on June 19, 2006, and his September 18, 2006, speech to the U.N. General Assembly. Then Secretary of State Rice said in January 2008 that the United States does not consider Iran a “permanent enemy.” An amendment by then Senator Biden (adopted June 2006) to the FY2007 defense authorization bill (P.L. 109-364) supported the Administration’s offer to join nuclear talks with Iran.

“Grand Bargain Concept”

The George W. Bush Administration did not offer Iran an unconditional, direct U.S.-Iran bilateral dialogue on *all* issues of U.S. concern: nuclear issues, Iranian support of militant movements, involvement in Iraq, and related issues. Some argue that the issues that divide the United States and Iran cannot be segregated, and that the key to resolving the nuclear issue is striking a “grand bargain” on all outstanding issues. The Obama Administration outreach appears to suggest a willingness to consider such a comprehensive agreement, if such a complex agreement could be reached.

Some say the George W. Bush Administration “missed an opportunity,” saying that U.S. officials rebuffed a reported comprehensive overture from Iran just before the May 12, 2003, Riyadh bombing, along the lines of a so-called “grand bargain.” The *Washington Post* reported on February 14, 2007 (“*2003 Memo Says Iranian Leaders Backed Talks*”), that the Swiss Ambassador to Iran in 2003, Tim Guldemann, had informed U.S. officials of a comprehensive Iranian proposal for talks with the United States. However, State Department officials and some European diplomats based in Tehran at that time question whether that proposal represented an authoritative Iranian communication. Others argue that the offer was unrealistic because an agreement would have required Iran to abandon key tenets of its Islamic revolution.

Containment and Possible Military Action

The George W. Bush Administration consistently maintained that military action to delay or halt Iran’s nuclear program was an option that was “on the table” but, as noted, the Obama Administration has not indicated a similar inclination toward this option. Although some Members publicly oppose most forms of military action against Iran, others fear that diplomacy and sanctions might not succeed and that preventing Iran from acquiring a working nuclear device is paramount. A U.S. ground invasion to remove Iran’s regime has not, at any time, appeared to be under serious consideration in part because of the likely resistance an invasion would meet in Iran.

Proponents of U.S. air and missile strikes against suspected nuclear sites argue that military action could set back Iran’s nuclear program because there are only a limited number of key targets, and these targets are known to U.S. planners and could be struck, even those that are hardened or buried.⁴⁵ Estimates of the target set range from 400 nuclear and other WMD-related targets, to potentially a few thousand targets whose destruction would cripple Iran’s economic and military infrastructure. At least 75 targets are underground or hardened. Those who take an

⁴⁵ For an extended discussion of U.S. air strike options on Iran, see Rogers, Paul. *Iran: Consequences Of a War*. Oxford Research Group, February 2006.

expansive view of the target set argue that the United States would need to reduce Iran's potential for retaliation by striking not only nuclear facilities but also Iran's conventional military, particularly its small ships and coastal missiles.

Still others argue that there are military options available that do not involve air or missile strikes. Some say that a naval embargo or related embargo is possible that could pressure Iran into reconsidering its stand on the nuclear issue. Such action was "demanded" in H.Con.Res. 362 (see below). Others say that the imposition of a "no-fly zone" over Iran might also serve that purpose. Either action could still be considered acts of war, and could escalate into hostilities.

Most U.S. allies in Europe, not to mention Russia and China, oppose military action. These states tend to agree with experts who maintain that the United States is not necessarily aware of or militarily able to reach all relevant sites; other opponents believe any benefits would be only temporary, and that the costs of a strike are too high. Some believe that a U.S. strike would cause the Iranian public to rally around Iran's regime, setting back efforts to promote moderation within Iran. On the other hand, some European and other diplomats say that France and Britain might back or even join a military strike if Iran were to begin an all-out drive toward a nuclear weapon.

An Israeli Strike?

Israeli officials view a nuclear armed Iran as an existential threat and have repeatedly refused to rule out the possibility that Israel might strike Iran's nuclear infrastructure. Speculation about this possibility increased in March and April 2009 with statements by Israeli Prime Minister Benjamin Netanyahu to *The Atlantic* magazine stating that "You don't want a messianic apocalyptic cult controlling atomic bombs," which generated testimony in Congress by CENTCOM commander General Petraeus indicating that Israel has become so frightened by a prospect of a nuclear Iran that it might decide to launch a strike on Iran's nuclear facilities. Adding to the prospects for this scenario, in mid-June 2008, Israeli officials confirmed reports that Israel had practiced a long range strike such as that which would be required to hit Iranian nuclear sites. In 2008, the George W. Bush Administration actively discouraged an Israeli plan to conduct such a strike, in part by denying Israel's requests for certain equipment useful to that operation.

Although Israeli strategists say this might be a viable option, several experts doubt that Israel has the capability to make such action sufficiently effective to justify the risks. U.S. military leaders are said by observers to believe that an Israeli strike would inevitably draw the United States into a conflict with Iran yet without the degree of planning, preparation, or capability that would make a similar U.S. action a success.

Iranian Retaliatory Scenarios⁴⁶

Some officials and experts warn that a U.S. military strike on Iran could provoke unconventional retaliation, using the equipment discussed in the section on "conventional military capabilities," that could be difficult to counter. At the very least, such conflict is likely to raise world oil prices significantly out of fear of an extended supply disruption. Others say such action would cause Iran to withdraw from the NPT and refuse any IAEA inspections. Other possibilities include

⁴⁶ See also, Washington Institute for Near East Policy. *The Last Resort: Consequences of Preventive Military Action Against Iran*, by Patrick Clawson and Michael Eisenstadt. June 2008.

firing missiles at Israel—and Iran’s July 2008 missile tests could have been intended to demonstrate this retaliatory capability—or directing Lebanese Hezbollah or Hamas to fire rockets at Israel. Iran could also step up arms shipments to anti-U.S. militias in Iraq and Afghanistan.

Iran has acquired a structure and doctrine for unconventional warfare that partly compensates for its conventional weakness. Then CENTCOM commander Gen. John Abizaid said in March 2006 that the Revolutionary Guard Navy, through its basing and force structure, is designed to give Iran a capability to “internationalize” a crisis in the Strait of Hormuz. On January 30, 2007, his replacement at CENTCOM, Admiral William Fallon, said that “Based on my read of their military hardware acquisitions and development of tactics ... [the Iranians] are posturing themselves with the capability to attempt to deny us the ability to operate in [the Strait of Hormuz].” (General David Petraeus became CENTCOM commander in September 2008.) In July 2008 Iran again claimed it could close the Strait in a crisis but the then commander of U.S. naval forces in the Gulf, Admiral Kevin Cosgriff, backed by Joint Chiefs Chairman Mullen, said U.S. forces could quickly reopen the waterway.

Iran has nonetheless tried to demonstrate that it is a capable force in the Gulf. It has conducted at least five major military exercises since August 2006, including exercises simultaneous with U.S. exercises in the Gulf in March 2007. Iran has repeatedly stated it is capable of closing the Strait of Hormuz and would do so, if attacked. In early 2007, Iranian ships were widening their patrols, coming ever closer to key Iraqi oil platforms in the Gulf. In February 2007, Iran seized 15 British sailors that Iran said were patrolling in Iran’s waters, although Britain says they were in Iraqi waters performing coalition-related searches. They were held until April 5, 2007. On January 6, 2008, the U.S. Navy reported a confrontation in which five IRGC Navy small boats approached three U.S. Navy ships to the point where they manned battle stations. The IRGC boats veered off before any shots were fired, but the George W. Bush Administration called it a “provocative act.” The IRGC could have been testing U.S. rules of engagement following the imposition of U.S. sanctions on the IRGC. Another incident occurred in April 2008 when a ship under U.S. contract fired a shot to warn off Iranian boats in the Gulf. In October 2008, Iran announced it is building several new naval bases along the southern coast, including at Jask, indicating enhanced capability to threaten the entry and exit to the Strait of Hormuz.

If there were a conflict in the Gulf, some fear that Iran might try to use large numbers of boats to attack U.S. ships, or to lay mines, in the Strait. In April 2006, Iran conducted naval maneuvers, including test firings of what Iran claims are underwater torpedoes that can avoid detection, presumably for use against U.S. ships in the Gulf, and a surface-to-sea radar-evading missile launched from helicopters or combat aircraft. U.S. military officials said the claims might be an exaggeration. The Gulf states fear that Iran will fire coastal-based cruise missiles at their oil loading or other installations across the Gulf, as happened during the Iran-Iraq war.

Containment and the Gulf Security Dialogue

The George W. Bush Administration tried to strengthen containment of Iran by enhancing the military capabilities of U.S. regional allies. The Obama Administration has not stated a position on whether it will continue all aspects of the containment program, and some believe that the Administration’s emphasis on diplomacy will likely lead to a downgrading of the policy.

An assertive military containment component of George W. Bush Administration policy was signaled in the January 10, 2007, Iraq “troop surge” statement by President George W. Bush. In that statement, he announced that the United States was sending a second U.S. aircraft carrier

group into the Gulf,⁴⁷ extending deployment of Patriot anti-missile batteries in the Gulf, reportedly in Kuwait and Qatar, and increasing intelligence sharing with the Gulf states. Secretary of Defense Gates said at the time that he saw the U.S. buildup as a means of building leverage against Iran that could be useful in bolstering U.S. diplomacy.

- The U.S. Gulf deployments build on a containment strategy inaugurated in mid-2006 by the State Department, primarily the Bureau of Political-Military Affairs (“Pol-Mil”). The State Department effort represented an effort to revive some of the U.S.-Gulf state defense cooperation that had begun during the Clinton Administration but had since languished as the United States focused on the post-September 11 wars in Afghanistan and Iraq.

One goal of the initiative is on boosting Gulf state capabilities, and it fueled major new weapons sales to the GCC states. The emphasis of the sales is to improve Gulf state missile defense capabilities, for example by sales of the upgraded Patriot Advanced Capability-3 (PAC-3),⁴⁸ as well as to improve border and maritime security equipment through sales of combat littoral ships, radar systems, and communications gear. The initial sales, including PAC-3 related sales to UAE and Kuwait, and Joint Direct Attack Munitions (JDAMs) to Saudi Arabia and UAE were notified to Congress in December 2007 and January 2008. A sale to UAE of the very advanced “THAAD” (Theater High Altitude Area Defense) has also been notified.

Presidential Authorities and Legislation

A decision to take military action might raise the question of presidential authorities. In the 109th Congress, H.Con.Res. 391, introduced on April 26, 2006, called on the President to not initiate military action against Iran without first obtaining authorization from Congress. A similar bill, H.Con.Res. 33, was introduced in the 110th Congress. Other bills requiring specific congressional authorization for use of force against Iran (or prohibiting U.S. funds for that purpose) include S.Res. 356, H.J.Res. 14, H.R. 3119, S.Con.Res. 13, S. 759, and H.R. 770. An amendment to H.R. 1585, the National Defense Authorization Act for FY2008, was defeated 136 to 288. A provision that sought to bar the Administration from taking military action against Iran without congressional authorization was taken out of an early draft of an FY2007 supplemental appropriation (H.R. 1591) to fund additional costs for Iraq and Afghanistan combat (vetoed on May 1, 2007). Other provisions, including requiring briefings to Congress about military contingency planning related to Iran’s nuclear program, is in the House-passed FY2009 defense authorization bill (H.R. 5658). In the 111th Congress, H.Con.Res. 94 calls for the United States to negotiate an “Incidents at Sea” agreement with Iran.

Regime Change

A major early feature of George W. Bush Administration policy—promotion of “regime change”—receded in the latter stages of the Administration. The Obama Administration has clearly distanced itself from the prior Administration’s attraction to this option, for example by explicitly referring to Iran by its formal name taken after the Islamic revolution – “the Islamic

⁴⁷ Shanker, Thom. “U.S. and Britain to Add Ships to Persian Gulf in Signal to Iran,” *New York Times*, December 21, 2006.

⁴⁸ “New Persian Gulf Security Effort Expected to Fuel Arms Sales in FY-07.” *Inside the Pentagon*, November 9, 2006.

Republic of Iran.” There are no indications, to date, that the Obama Administration sees the post-election protests in Iran as leading to major alteration of the regime, or that the Administration is inclined to support the demonstrators to that end.

The George W. Bush Administration said that the democracy promotion programs discussed below were intended to promote political evolution in Iran and change regime behavior, not to overthrow the regime. A few accounts, such as “*Preparing the Battlefield*” by Seymour Hersh in the *New Yorker* (July 7 and 14, 2008) say that President George W. Bush authorized U.S. covert operations to destabilize the regime,⁴⁹ involving assistance to some of the ethnic-based armed groups discussed above. CRS has no way to confirm assertions in the Hersh article that up to \$400 million was appropriated and/or used to aid the groups mentioned. In January 2009, Iran tried four Iranians on charges of trying to overthrow the government with the support of the United States.

There has been some support in the United States for regime change since the 1979 Islamic revolution; the United States provided some funding to anti-regime groups, mainly pro-monarchists, during the 1980s.⁵⁰ The George W. Bush Administration’s belief in this option became apparent after the September 11, 2001, attacks, when President George W. Bush described Iran as part of an “axis of evil” in his January 2002 State of the Union message. President George W. Bush’s second inaugural address (January 20, 2005) and his State of the Union messages of February 2, 2005, and January 31, 2006, suggested a clear preference for a change of regime by stating, in the latter speech, that “... our nation hopes one day to be the closest of friends with a free and democratic Iran.” Indications of affinity for this option include increased public criticism of the regime’s human rights record as well as the funding of Iranian pro-democracy activists. However, the George W. Bush Administration shifted away from this option as a strategy employing multilateral sanctions and diplomacy took form in 2006, in part because U.S. partners believe regime change policies harm diplomacy.

Democracy Promotion Efforts

The George W. Bush Administration and Congress tried to assist Iranian civil society and interest groups that might eventually moderate Iran’s regime. Legislation in the 109th Congress exemplified the preference of some Members for regime change in Iran by authorizing funding for democracy promotion, among other provisions. In the 109th Congress, H.R. 282 passed the House on April 26, 2006, by a vote of 397-21, and S. 333 was introduced in the Senate. The George W. Bush Administration supported the democracy-promotion sections of these bills. Major provisions were included in H.R. 6198, which was introduced on September 27, 2006, passed by both chambers, and signed September 30, 2006 (P.L. 109-293). Entitled the Iran Freedom Support Act, it authorized funds (no specific dollar amount) for Iran democracy promotion and modified the Iran Sanctions Act.

⁴⁹ Ross, Brian and Richard Esposito. Bush Authorizes New Covert Action Against Iran. http://blogs.abcnews.com/theblotter/2007/05/bush_authorizes.html.

⁵⁰ CRS conversations with U.S. officials responsible for Iran policy. 1980-1990. After a period of suspension of such assistance, in 1995, the Clinton Administration accepted a House-Senate conference agreement to include \$18-\$20 million in funding authority for covert operations against Iran in the FY1996 Intelligence Authorization Act (H.R. 1655, P.L. 104-93), according to a *Washington Post* report of December 22, 1995. The Clinton Administration reportedly focused the covert aid on changing the regime’s behavior, rather than its overthrow.

Many question the prospects of U.S.-led Iran regime change through democracy promotion or other means, short of all-out-U.S. military invasion, because of the weakness of opposition groups. Providing overt or covert support to anti-regime organizations, in the view of many experts, would not make them materially more viable or attractive to Iranians. The regime purportedly also conducts extensive regime surveillance of democracy activists or other internal dissidents. Iran has been arresting civil society activists by alleging they are accepting the U.S. democracy promotion funds, while others have refused to participate in U.S.-funded programs, fearing arrest. The highest profile such arrest came in May 2007 – Iranian-American scholar Haleh Esfandiari, of the Woodrow Wilson Center in Washington, DC, was imprisoned for several months.⁵¹

The State Department has been the implementer of U.S. democracy promotion programs. The Obama Administration has not, to date, discontinued the State Department efforts, but has rather shifted the emphasis to the people-to-people exchange component of these programs. To date the State Department has sponsored exchanges with about 150 Iranian academics, professionals, athletes, artists, and doctors. The Department has also formed a Persian-language website.

As part of the democracy promotion component of the programs, the State Department has used funds provided in recent appropriations to support pro-democracy programs run by 26 organizations based in the United States in Europe; the Department refuses to name grantees for security reasons. In 2006, the Administration began increasing the presence of Persian-speaking U.S. diplomats in U.S. diplomatic missions around Iran, in part to help identify and facilitate Iranian participate in U.S. democracy-promotion programs. The Iran unit at the U.S. consulate in Dubai has been enlarged significantly into a “regional presence” office, and new “Iran-watcher” positions have been added to U.S. diplomatic facilities in Baku, Azerbaijan; Istanbul, Turkey; Frankfurt, Germany; London; and Ashkabad, Turkmenistan, all of which have large expatriate Iranian populations and/or proximity to Iran.⁵² An enlarged (eight person) “Office of Iran Affairs” has been formed at State Department, and it is reportedly engaged in contacts with U.S.-based exile groups such as those discussed earlier. Iran asserts that funding democracy promotion represents a violation of the 1981 “Algiers Accords” that settled the Iran hostage crisis and provide for non-interference in each others’ internal affairs.

Funding

As shown below, \$67 million has been appropriated for Iran democracy promotion (\$19.6 million through DRL and \$48.6 million through the Bureau of Near Eastern Affairs/USAID). Of that, as of October 2008, \$42.7 million has been obligated, and \$20.8 million disbursed. Additional funds, discussed in the chart below, have been appropriated for cultural exchanges, public diplomacy, and broadcasting to Iran. However, the Obama Administration did not request funding for democracy promotion in Iran in its FY2010 budget request, an indication that the new

⁵¹ Three other Iranian Americans were arrested and accused by the Intelligence Ministry of actions contrary to national security in May 2007: U.S. funded broadcast (Radio Farda) journalist Parnaz Azima (who was not in jail but was not allowed to leave Iran); Kian Tajbacksh of the Open Society Institute funded by George Soros; and businessman and peace activist Ali Shakeri. Several congressional resolutions called on Iran to release Esfandiari (S.Res. 214 agreed to by the Senate on May 24; H.Res. 430, passed by the House on June 5; and S.Res. 199). All were released by October 2007.

⁵² Stockman, Farah. “‘Long Struggle’ With Iran Seen Ahead.” *Boston Globe*, March 9, 2006.

Administration views this effort as inconsistent with its belief in dialogue with Iran. Funding for radio and TV broadcasting programs to Iran are expected to continue, however.

Table 9. Iran Democracy Promotion Funding

FY2004	Foreign operations appropriation (P.L. 108-199) earmarked \$1.5 million for “educational, humanitarian and non-governmental organizations and individuals inside Iran to support the advancement of democracy and human rights in Iran.” The State Department Bureau of Democracy and Labor (DRL) gave \$1 million to the IHDC organization, see above; \$500,000 to National Endowment for Democracy (NED).
FY2005	\$3 million from FY2005 foreign aid appropriation (P.L. 108-447) for democracy promotion. Priority areas: political party development, media development, labor rights, civil society promotion, and human rights.
FY2006	\$11.15 for democracy promotion from regular FY2006 foreign aid appropriation (P.L. 109-102). \$4.15 million administered by DRL and \$7 million for the Bureau of Near Eastern Affairs.
FY2006 supp.	Total of \$66.1 million (of \$75 million requested) from FY2006 supplemental (P.L. 109-234): \$20 million for democracy promotion (\$5 million above request); \$5 million for public diplomacy directed at the Iranian population (amount requested); \$5 million for cultural exchanges (amount requested); and \$36.1 million for Voice of America-TV and “Radio Farda” broadcasting (\$13.9 million less than request). Of all FY2006 funds, the State Department said on June 4, 2007 that \$16.05 million was obligated for democracy promotion programs, as was \$1.77 million for public diplomacy and \$2.22 million for cultural exchanges (bringing Iranian professionals and language teachers to the United States). Broadcasting funds provided through the Broadcasting Board of Governors; began under Radio Free Europe/Radio Liberty (RFE/RL), in partnership with the VOA, in October 1998. ^a <i>Farda</i> (“Tomorrow” in Farsi) received \$14.7 million of FY2006 funds; now broadcasts 24 hours/day. VOA Persian services (radio and TV) combined cost about \$10 million per year. VOA-TV began on July 3, 2003, and now is broadcasting to Iran 12 hours a day.
FY2007	FY2007 continuing resolution provided \$6.55 million for Iran (and Syria) to be administered through DRL. \$3.04 million was used for Iran. No funds were requested.
FY2008	\$60 million (of \$75 million requested) is contained in Consolidated Appropriation (H.R. 2764, P.L. 110-161), of which \$21.6 million is ESF for pro-democracy programs, including non-violent efforts to oppose Iran’s meddling in other countries. \$7.9 million is “Development Funds” for use by DRL. Appropriation also fully funds additional \$33.6 million requested for Iran broadcasting: \$20 million for VOA Persian service; and \$8.1 million for Radio Farda; and \$5.5 million for exchanges with Iran.
FY2009	Request was for \$65 million in ESF “to support the aspirations of the Iranian people for a democratic and open society by promoting civil society, civic participation, media freedom, and freedom of information.” H.R. 1105 (P.L. 111-8) provides \$15 million for democracy promotion programs in Iran and several other countries.
FY2010	Not yet known if any funds requested for democracy promotion will be requested, but some funds likely to be requested to fund continued people-to-people exchanges with Iran.

- a. The service began when Congress funded it at \$4 million in the FY1998 Commerce/State/Justice appropriation (P.L. 105-119). It was to be called Radio Free Iran but was never formally given that name by RFE/RL.

Further International and Multilateral Sanctions

The Obama Administration, although promoting the concept of sustained dialogue, says it will return to efforts to increase international pressure on Iran if efforts at direct diplomacy do not yield results by the end of 2009. Some believe the Administration might pursue that course if the Iranian government uses excessive force against post-election demonstrators. The following represent sanctions that the Security Council might impose, along with some discussion of key positions expressed by some Security Council or other nations on those ideas. U.S. officials have

said that these or other additional sanctions might also be considered by a “coalition” of countries, outside Security Council authorization. On the other hand, some U.S. allies, such as Germany, oppose sanctions outside Council action on the grounds that doing so would undermine the Security Council process.⁵³ Among the further U.N. or multilateral sanctions widely discussed (and some of these ideas are appearing in U.S. legislation to increase U.S. sanctions on Iran) are:

- *Mandating Reductions in Diplomatic Exchanges with Iran or Prohibiting Travel by Iranian Officials.* As noted above, Resolution 1803 imposes a ban on travel by some named Iranian officials. One option is to further expand that list of Iranian officials. A further option is to limit sports or cultural exchanges with Iran, such as Iran’s participation in the World Cup soccer tournament. However, many experts oppose using sporting events to accomplish political goals.
- *Banning International Flights to and from Iran.* Bans on flights to and from Libya were imposed on that country in response to the finding that its agents were responsible for the December 21, 1988, bombing of Pan Am 103 (now lifted). There are no indications that a passenger aircraft flight ban is under consideration among the P5+1. As noted above, inspections of Iranian international cargo flights and shipping is authorized in Resolution 1803.
- *A Ban on Exports to Iran of Refined Oil Products or of Other Products.* Some members of the U.N. Security Council oppose this sanction as likely to halt prospects for a diplomatic solution to Iran’s nuclear program, and the sanction does not appear to be under Security Council consideration. A gasoline exports ban would almost certainly hurt Iran’s economy because Iran does not refine enough gasoline to meet demand and must import it, although some experts believe Iran would be able to circumvent this sanction by offering premium prices to suppliers. Some countries that supply gasoline to Iran, such as those listed in **Table 3**, might oppose this sanction.
- *Financial and Trade Sanctions, Such as a Freeze on Iran’s Financial Assets Abroad.* Existing U.N. resolutions do not freeze all Iranian assets abroad, and such a broad freeze does not appear to be under Security Council consideration at this time. Resolution 1803 authorizes countries to curtail banking relationships with Iran’s Bank Melli and Bank Saderat. A future resolution could add more Iranian banks to those under sanction, or even entirely ban transactions with any Iranian banks. Fearing that possibility, Iran reportedly moved \$75 billion out of European banks in May 2008.
- *Limiting Lending to Iran by Banks or International Financial Institutions.* Another option is to ban lending to Iran by international financial institutions, or to mandate a reduction of official credit guarantees. British Prime Minister Brown indicated British support a limitation of official credits on November 12, 2007. As discussed below, EU countries and their banks have begun taking these steps, even without a specific U.N. mandate.
- *Banning Worldwide Investment in Iran’s Energy Sector.* This option would represent an “internationalization” of the U.S. “Iran Sanctions Act,” which is discussed in CRS Report RS20871, *The Iran Sanctions Act (ISA)*, by Kenneth

⁵³ Berlin Says U.S. and France Guilty of Hypocrisy. Spiegel Online, September 24, 2007. <http://www.spiegel.de/international/world/0,1518,507443,00.html>

Katzman. On November 12, 2007 comments, British Prime Minister Brown expressed support for a worldwide financing of energy projects in Iran as a means of cutting off energy development in Iran. A version of this option would prevent companies of U.N. member states from shipping to Iran parts or technology needed to construct oil refineries or related installations.

- *Banning Insurance for Iranian Shipping.* One option, reportedly under consideration by the P5+1, is to ban the provision of insurance for Iran's tanker fleet. Shipments of Iranian oil require insurance against losses from military action, accidents, or other causes. A broad ban on provision of such insurance could make it difficult for Iran to Islamic Republic of Iran Shipping Lines (IRISL) to operate and force Iran to rely on more expensive shipping options. Iran said in September 2008 that it would have ways to circumvent the effect of this sanction if it is imposed. (The United States has imposed sanctions on IRISL, as noted in the table below.)
- *Imposing a Worldwide Ban on Sales of Arms to Iran.* Resolution 1747 called for—but did not require—U.N. member states to exercise restraint in selling arms to Iran. A future resolution might mandate an arms sales ban. Another option under discussion is to eliminate the Resolution 1737 exemption from sanctions for the Bushehr nuclear reactor project.
- *Imposing an International Ban on Purchases of Iranian Oil or Other Trade.* This is widely considered the most sweeping of sanctions that might be imposed, and would be unlikely to be considered in the Security Council unless Iran was found actively developing an actual nuclear weapon. Virtually all U.S. allies conduct extensive trade with Iran, and would oppose sanctions on trade in civilian goods with Iran. A ban on oil purchases from Iran is unlikely to be imposed because of the potential to return world oil prices to the high levels of the summer of 2008.

European/Japanese/Other Foreign Country Policy on Sanctions and Trade Agreements

Most U.S. allies still favor incentives—not just economic or political punishments—as tools to change Iran's behavior. In this, U.S. allies might identify with the Obama Administration approach more so than the George W. Bush Administration approach that was perceived as primarily punitive. During 1992-1997, when the United States was tightening its own sanctions against Iran, the European Union (EU) countries maintained a policy of "critical dialogue" with Iran, and the EU and Japan refused to join the 1995 U.S. trade and investment ban on Iran. The European dialogue with Iran was suspended in April 1997 in response to the German terrorism trial ("Mykonos trial") that found high-level Iranian involvement in killing Iranian dissidents in Germany, but resumed in May 1998 during Khatemi's presidency.

With Iran defiant on nuclear issues, the European countries, Japan, and other countries moved closer to the U.S. position since 2005. The EU is no longer negotiating new trade agreements and other economic interaction with Iran, but rather it has begun to implement some sanctions that exceed those mandated in Security Council resolutions. For example, several EU countries are discouraging their companies from making any new investments in or soliciting any new business with Iran. In addition, several EU countries report that civilian trade with Iran is down because Iran's defiance on the nuclear issue is introducing more perceived risk to trading with Iran. As noted above, some EU countries say they have reduced credit guarantee exposure to Iran since

Resolution 1737 was passed in December 2006. The table at the beginning of this paper lists some countries that have dramatically cut back credit guarantees for Iran. Previously, the EU countries and their banks maintained that financing for purely civilian goods is not banned by any U.N. resolution and that exporters of such goods should not be penalized.

Negotiations with Iran on a “Trade and Cooperation Agreement” (TCA) are not currently being held; such an agreement would have lowered the tariffs or increased quotas for Iranian exports to the EU countries.⁵⁴ Similarly, there is insufficient international support to grant Iran membership in the World Trade Organization (WTO) until there is progress on the nuclear issue. Iran first attempted to apply to join the WTO in July 1996. On 22 occasions after that, representatives of the Clinton and then the George W. Bush Administration blocked Iran from applying (applications must be by consensus of the 148 members). As discussed above, as part of an effort to assist the EU-3 nuclear talks with Iran, the Administration announced on March 11, 2005, that it would drop opposition to Iran’s applying for WTO membership. At a WTO meeting in May 2005, no opposition to Iran’s application was registered, and Iran formally began accession talks.

In the 1990s, European and Japanese creditors—over U.S. objections—rescheduled about \$16 billion in Iranian debt. These countries (governments and private creditors) rescheduled the debt bilaterally, in spite of Paris Club rules that call for multilateral rescheduling. Iran’s improved external debt led most European export credit agencies to restore insurance cover for exports to Iran. In July 2002, Iran tapped international capital markets for the first time since the Islamic revolution, selling \$500 million in bonds to European banks.

World Bank Loans

The EU and Japan appear to have made new international lending to Iran contingent on Iran’s response to international nuclear demands. This represents a narrowing of past differences between the United States and its allies on this issue. Acting under provisions of successive foreign aid laws (which require the United States to vote against international loans to countries named by the United States as sponsors of international terrorism), in 1993 the United States voted its 16.5% share of the World Bank against loans to Iran of \$460 million for electricity, health, and irrigation projects, but the loans were approved. To block that lending, the FY1994-FY1996 foreign aid appropriations (P.L. 103-87, P.L. 103-306, and P.L. 104-107) cut the amount appropriated for the U.S. contribution to the Bank by the amount of those loans. The legislation contributed to a temporary halt in new Bank lending to Iran.

During 1999-2005, Iran’s moderating image had led the World Bank to consider new loans over U.S. opposition. In May 2000, the United States’ allies outvoted the United States to approve \$232 million in loans for health and sewage projects. During April 2003-May 2005, a total of \$725 million in loans were approved for environmental management, housing reform, water and sanitation projects, and land management projects, in addition to \$400 million in loans for earthquake relief.

⁵⁴ During the active period of talks, which began in December 2002, there were working groups focused not only on the TCA terms and proliferation issues but also on Iran’s human rights record, Iran’s efforts to derail the Middle East peace process, Iranian-sponsored terrorism, counter-narcotics, refugees, migration issues, and the Iranian opposition PMOI.

U.S. Sanctions

Any additional international or U.S. sanctions would add to the wide range of U.S. sanctions in place since the November 4, 1979, seizure of the U.S. hostages in Tehran.⁵⁵ Some experts believe that, even before U.S. allies had begun to impose some sanctions on Iran, U.S. sanctions alone were slowing Iran's economy.⁵⁶ However, a report on U.S. sanctions by the Government Accountability Office (GAO), published December 2007 (*GAO-08-58: Iran Sanctions: Impact in Furthering U.S. Objectives Is Unclear and Should Be Reviewed*) found that the extent of the impact on Iran is "difficult to determine." The GAO study said that, despite the U.S. sanctions, Iran's global trade has continued to expand from 1987 (when sanctions first began to be imposed) to 2006, and that Iran had signed \$20 billion in energy investment deals with foreign firms.

Section 7043 of P.L. 111-8, the FY09 omnibus appropriation, requires, within 180 days, an Administration report on U.S. sanctions, including which companies are believed to be violators, and what the Administration is doing to enforce sanctions. The provision appears to apply primarily to the Iran Sanctions Act.

Terrorism/Foreign Aid Sanctions

In January 1984, following the October 1983 bombing of the U.S. Marine barracks in Lebanon (believed perpetrated by Hezbollah) Iran was added to the "terrorism list." The list was established by Section 6(j) of the Export Administration Act of 1979, sanctioning countries determined to have provided repeated support for acts of international terrorism.

- The terrorism list designation restricts sales of U.S. dual use items (Export Administration Act, as continued by executive order), and, under other laws, bans direct U.S. financial assistance (Foreign Assistance Act, FAA) and arms sales (Arms Export Control Act), and requires the United States to vote to oppose multilateral lending to the designated countries (Anti-Terrorism and Effective Death Penalty Act of 1996, P.L. 104-132). Waivers are provided under these laws, but successive foreign aid appropriations laws since the late 1980s ban direct assistance to Iran (loans, credits, insurance, Eximbank credits) without providing for a waiver.
- Section 307 of the FAA (added in 1985) names Iran as unable to benefit from U.S. contributions to international organizations, and require proportionate cuts if these institutions work in Iran. No waiver is provided for.
- Under the Anti-Terrorism and Effective Death Penalty Act, the President is required to withhold U.S. foreign assistance to any country that provides to a terrorism list country foreign assistance or arms. Waivers are provided.
- Executive Order 13324 (September 23, 2001) authorizes the President to freeze the assets of and transactions with entities determined to be supporting international terrorism. Iranian entities named and sanctioned under this order are in the tables at the end of this paper.

⁵⁵ On November 14, 1979, President Carter declared a national emergency with respect to Iran, renewed every year since 1979.

⁵⁶ "The Fight Over Letting Foreigners Into Iran's Oilfields." *The Economist*, July 14, 2001.

U.S. sanctions laws do not bar disaster aid and the United States donated \$125,000, through relief agencies, to help victims of two earthquakes in Iran (February and May 1997), and another \$350,000 worth of aid to the victims of a June 22, 2002 earthquake. (The World Bank provided some earthquake related lending as well.) The United States provided \$5.7 million in assistance (out of total governmental pledges of about \$32 million, of which \$17 million have been remitted) to the victims of the December 2003 earthquake in Bam, Iran, which killed as many as 40,000 people and destroyed 90% of Bam's buildings. The United States military flew in 68,000 kilograms of supplies to Bam.

Proliferation Sanctions

Iran is prevented from receiving advanced technology from the United States under relevant and Iran-specific anti-proliferation laws⁵⁷ and by Executive Order 13382 (June 28, 2005). The Iran-Iraq Arms Nonproliferation Act (P.L. 102-484) requires denial of license applications for exports to Iran of dual use items, and imposes sanctions on foreign countries that transfer to Iran "destabilizing numbers and types of conventional weapons," as well as WMD technology. The Iran Nonproliferation Act (P.L. 106-178, now called the Iran-Syria-North Korea Non-Proliferation Act) authorizes sanctions on foreign entities that assist Iran's WMD programs. It bans U.S. extraordinary payments to the Russian Aviation and Space Agency in connection with the international space station unless the President can certify that the agency or entities under its control had not transferred any WMD or missile technology to Iran within the year prior.⁵⁸ (A Continuing Resolution for FY2009, which funded the U.S. government through March 2009, waived this law to allow NASA to continue to use Russian vehicles to access the International Space Station.)

Executive Order 13382 allows the President to block the assets of proliferators of weapons of mass destruction (WMD) and their supporters under the authority granted by the International Emergency Economic Powers Act (IEEPA, 50 U.S.C. 1701 et seq.), the National Emergencies Act (50 U.S.C. 1601 et seq.), and Section 301 of Title 3, United States Code.

Reflecting a George W. Bush Administration decision to impose sanctions for violations, the George W. Bush Administration sanctioned numerous entities as discussed below. The Obama Administration sanctioned several entities on February 2, 2009, suggesting it is continuing that policy. Iranian entities designated under these laws and orders are listed in the tables at the end.

Despite these efforts, Iran has used loopholes and other devices, such as front companies, to elude U.S. and international sanctions. Some of these efforts focus on countries perceived as having lax enforcement of export control laws, such as UAE and Malaysia. In some cases, Iran has been able, according to some reports, to obtain sophisticated technology even from U.S. firms.⁵⁹

⁵⁷ Such laws include the Atomic Energy Act of 1954 and the Energy Policy Act of 2005 (P.L. 109-58).

⁵⁸ The provision contains certain exceptions to ensure the safety of astronauts, but it nonetheless threatened to limit U.S. access to the international space station after April 2006, when Russia started charging the United States for transportation on its Soyuz spacecraft. Legislation in the 109th Congress (S. 1713, P.L. 109-112) amended the provision in order to facilitate continued U.S. access and extended INA sanctions provisions to Syria.

⁵⁹ Warrick, Joby. "Iran Using Fronts to Get Bomb Parts From U.S." *Washington Post*, January 11, 2009; Institute for Science and International Security. "Iranian Entities' Illicit Military Procurement Networks." David Albright, Paul Brannan, and Andrea Scheel. January 12, 2009.

In addition, successive foreign aid appropriations punish the Russian Federation for assisting Iran by withholding 60% of any U.S. assistance to the Russian Federation unless it terminates technical assistance to Iran's nuclear and ballistic missiles programs.

Targeted Financial Measures by Treasury Department

U.S. officials, particularly Undersecretary of the Treasury Stuart Levey (who is remaining on in the Obama Administration), say the United States is having substantial success in separate unilateral efforts ("targeted financial measures") to persuade European governments and companies to stop financing commerce with Iran on the grounds that doing so entails financial risk and furthers terrorism and proliferation. Treasury and State Departments officials, in April 17, 2008, testimony before the House Foreign Affairs Committee, said they had persuaded at least 40 banks not to provide financing for exports to Iran or to process dollar transactions for Iranian banks. Among those that have pulled out of Iran are UBS and Credit Suisse (Switzerland), HSBC (Britain), Germany's Commerzbank A.G and Deutsche Bank AG. U.S. pressure has reportedly convinced Kuwaiti banks to stop transactions with Iranian accounts,⁶⁰ and South Korean banks are considering doing the same. The International Monetary Fund and other sources report that these measures are making it more difficult to fund energy industry and other projects in Iran, and particularly hurting small Iranian businesses who have to pay new fees and premiums in order to collect on accounts earned by outside trade.

Some of these moves by European banks have come about by U.S. pressure. In 2004, the Treasury Department fined UBS \$100 million for the unauthorized movement of U.S. dollars to Iran and other sanctioned countries, and in December 2005, the Treasury Department fined Dutch bank ABN Amro \$80 million for failing to fully report the processing of financial transactions involving Iran's Bank Melli (and another bank partially owned by Libya).

In action intended to cut Iran off from the U.S. banking system, on September 6, 2006, the Treasury Department barred U.S. banks from handling any indirect transactions ("U-turn transactions, meaning transactions with non-Iranian foreign banks that are handling transactions on behalf of an Iranian bank) with Iran's Bank Saderat (see above), which the Administration accuses of providing funds to Hezbollah.⁶¹ Bank Sepah is subject to asset freezes and transactions limitations as a result of their naming as sanctionable entities under Resolution 1737 and 1747. The Treasury Department extended that U-Turn restriction to all Iranian banks on November 6, 2008, <http://www.treasury.gov/press/releases/hp1257.htm>.

Thus far, the Treasury Department has not designated any bank as a "money laundering entity" for Iran-related transactions (under Section 311 of the USA Patriot Act), although some say that step has been threatened at times. Nor has Treasury imposed any specific sanctions against Bank Markazi (Central Bank) which, according to a February 25, 2008, *Wall Street Journal* story, is helping other Iranian banks circumvent the U.S. and U.N. banking pressure. However, the European countries reportedly oppose such a sanction as an extreme step with potential humanitarian consequences, for example by preventing Iran from keeping its currency stable. S. 3445, a Senate bill in the 110th Congress, and a counterpart passed by the House on September 26, 2008, H.R. 7112, call for this sanction.

⁶⁰ Mufson, Steven and Robin Wright. "Iran Adapts to Economic Pressure." *Washington Post*, October 29, 2007.

⁶¹ Kessler, Glenn. "U.S. Moves to Isolate Iranian Banks." *Washington Post*, September 9, 2006.

In enforcing U.S. sanctions, on December 17, 2008, the U.S. Attorney for the Southern District of New York filed a civil action seeking to seize the assets of the Assa Company, a U.K.-chartered entity. Assa allegedly was maintaining the interests of Bank Melli in an office building in New York City. An Iranian foundation, the Alavi Foundation, also allegedly maintains an interest in the building.

U.S. Ban on Trade and Investment with Iran

On May 6, 1995, President Clinton issued Executive Order 12959 banning U.S. trade and investment in Iran.⁶² This followed an earlier March 1995 executive order barring U.S. investment in Iran's energy sector. The trade ban was intended to blunt criticism that U.S. trade with Iran made U.S. appeals for multilateral containment of Iran less credible. Each March since 1995 (and most recently on March 11, 2009), the U.S. Administration has renewed a declaration of a state of emergency that triggered the investment ban. Some modifications to the trade ban since 1999 account for the trade between the United States and Iran. H.R. 1400, S. 970, S. 3445, and H.R. 7112, see below, would have reimposed many of the restrictions.

The following conditions and modifications, as administered by the Office of Foreign Assets Control (OFAC) of the Treasury Department, apply:

- Some goods related to the safe operation of civilian aircraft may be licensed for export to Iran, and as recently as September 2006, the George W. Bush Administration, in the interests of safe operations of civilian aircraft, permitted a sale by General Electric of Airbus engine spare parts to be installed on several Iran Air passenger aircraft (by European airline contractors).
- OFAC regulations do not permit U.S. firms to negotiate investment deals with Iran or to trade Iranian oil overseas.
- Since April 1999, commercial sales of food and medical products to Iran have been allowed, on a case-by-case basis and subject to OFAC licensing. According to OFAC in April 2007, licenses for exports of medicines to treat HIV and leukemia are routinely expedited for sale to Iran, and license applications are viewed favorably for business school exchanges, earthquake safety seminars, plant and animal conservation, and medical training in Iran. Private letters of credit can be used to finance approved transactions, but no U.S. government credit guarantees are available, and U.S. exporters are not permitted to deal directly with Iranian banks. The FY2001 agriculture appropriations law (P.L. 106-387) contained a provision banning the use of official credit guarantees for food and medical sales to Iran and other countries on the U.S. terrorism list, except Cuba, although allowing for a presidential waiver to permit such credit guarantees. Neither the Clinton Administration nor the George W. Bush Administration provided the credit guarantees.
- In April 2000, the trade ban was further eased to allow U.S. importation of Iranian nuts, dried fruits, carpets, and caviar. The United States was the largest market for Iranian carpets before the 1979 revolution, but U.S. anti-dumping

⁶² An August 1997 amendment to the trade ban (Executive Order 13059) prevented U.S. companies from knowingly exporting goods to a third country for incorporation into products destined for Iran.

tariffs imposed on Iranian products in 1986 dampened of many Iranian products. The tariff on Iranian carpets is now about 3%-6%, and the duty on Iranian caviar is about 15%. In December 2004, U.S. sanctions were further modified to allow Americans to freely engage in ordinary publishing activities with entities in Iran (and Cuba and Sudan). As of mid-2007, the product most imported from Iran by U.S. importers is pomegranate juice concentrate. (In the 110th Congress, H.R. 1400, S. 970, S. 3445, and H.R. 7112 would have re-imposed the ban on importation of such goods.)

- The trade ban permits U.S. companies to apply for licenses to conduct “swaps” of Caspian Sea oil with Iran, but, as part of a U.S. policy to route Central Asian energy around Iran (and Russia), a Mobil Corporation application to do so was denied in April 1999.

Application to Foreign Subsidiaries of U.S. Firms

The U.S. trade ban does not bar subsidiaries of U.S. firms from dealing with Iran, as long as the subsidiary has no operational relationship to the parent company. Among major subsidiaries that have traded with Iran are the following:

- Halliburton. On January 11, 2005, Iran said it had contracted with U.S. company Halliburton, and an Iranian company, Oriental Kish, to drill for gas in Phases 9 and 10 of South Pars. Halliburton reportedly provided \$30 million to \$35 million worth of services per year through Oriental Kish, leaving unclear whether Halliburton would be considered in violation of the U.S. trade and investment ban or the Iran Sanctions Act (ISA)⁶³—because the deals involved a subsidiary of Halliburton (Cayman Islands-registered Halliburton Products and Service, Ltd, based in Dubai). On April 10, 2007, Halliburton announced that its subsidiaries had, as promised in January 2005, completed all contractual commitments with Iran and that it is no longer operating there.
- General Electric (GE). The firm announced in February 2005 that it would seek no new business in Iran, and it reportedly wound down pre-existing contracts by July 2008. GE was selling Iran equipment and services for hydroelectric, oil and gas services, and medical diagnostic projects through Italian, Canadian, and French subsidiaries. The trade ban appears to bar any Iranian company from buying a foreign company that has U.S. units.
- Foreign subsidiaries of several other U.S. energy equipment firms are apparently still in the Iranian market. These include Foster Wheeler, Natco Group, Overseas Shipholding Group,⁶⁴ UOP (a Honeywell subsidiary), Itron, Fluor, Flowserve, Parker Drilling, Vantage Energy Services, Weatherford, and a few others.
- An Irish subsidiary of the Coca Cola company provides syrup for the U.S.-brand soft drink to an Iranian distributor, Khoshgavar. Local versions of both Coke and of Pepsi (with Iranian-made syrups) are also marketed in Iran by distributors who

⁶³ “Iran Says Halliburton Won Drilling Contract.” *Washington Times*, January 11, 2005.

⁶⁴ Prada, Paulo, and Betsy McKay. Trading Outcry Intensifies. *Wall Street Journal*, March 27, 2007; Brush, Michael. Are You Investing in Terrorism? *MSN Money*, July 9, 2007.

licensed the recipes for those soft drinks before the Islamic revolution and before the trade ban was imposed on Iran.

In the 110th Congress, S. 970, S. 3227, S. 3445, and three House-passed bills (H.R. 1400, H.R. 7112, and H.R. 957)—would have applied sanctions to the parent companies of U.S. subsidiaries if those subsidiaries are directed or formed to trade with Iran.

The Iran Sanctions Act (ISA)

The Iran Sanctions Act penalizes foreign (or U.S.) investment of more than \$20 million in one year in Iran's energy sector.⁶⁵ No projects have actually been sanctioned under ISA, and numerous investment agreements with Iran since its enactment have helped Iran slow deterioration of its energy export sector. On the other hand, most recent deals are with Asian energy firms that might lack the technological sophistication and effectiveness of European companies, which appear to have been dissuaded from new investments in Iran by ISA and by the policies of their governments toward Iran. (A chart illustrating the list of publicly announced investments is in CRS Report RS20871, *The Iran Sanctions Act (ISA)*, by Kenneth Katzman).

Recent legislation has sought to expand the authorities of ISA. In the 110th Congress, H.R. 1400, passed by the House on September 25, 2007, would remove the Administration's ability to waive application of sanctions under ISA. The George W. Bush Administration opposed that provision on the grounds that requiring sanctions on allied companies would divide the United States and its allies on Iran policy. However, H.R. 1400 did not impose on the Administration a time limit to determine whether a project is sanctionable. Several bills in the 110th Congress (H.R. 1400, S. 970, S. 3227, S. 3445, H.R. 7112, and H.R. 957) would have expanded the definitions of sanctionable activities and entities to include official credit guarantee agencies, such as France's COFACE and Germany's Hermes, and both bills would also clearly apply ISA sanctions to pipeline and liquefied natural gas (LNG) projects. Another bill in the 110th Congress, H.R. 2880, would apply the Iran Sanctions Act (see below) to entities that sell gasoline to Iran. H.Con.Res. 362 and S.Res. 580 called for (but did not mandate) that sanction.

In the 111th Congress, several bills pick up on many of the ideas proposed in the 110th Congress. The theme of the recently introduced bills, including H.R. 2194 and S. 908, focus on amending ISA to make sanctionable sales to Iran of gasoline, shipping of such gasoline, and sales to Iran of equipment or services to help Iran build or expand its oil refineries. S. 908 and H.R. 2194 would, in addition, expand the menu of sanctions available for the President to impose, in order to enact penalties against violating firms. The new available sanctions would include (1) prohibiting transactions in foreign exchange by the sanctioned firm; (2) prohibiting any financial transactions on behalf of the sanctioned firm; or (3) prohibiting any acquisitions or ownership of U.S. property by the sanctioned entity. Some Members who have introduced these bills have said that such legislation might appear to conflict with President Obama's diplomatic outreach to Iran, although others believe such bills might strengthen that approach by demonstrating to Iran that there are substantial downsides to rebuffing the U.S. overtures.

⁶⁵ Originally called the Iran-Libya Sanctions Act, or ILSA; P.L. 104-172, August 5, 1996. It was renewed by P.L. 107-24, August 3, 2001; renewed again for two months by P.L. 109-267; and renewed and amended by P.L. 109-293.

Divestment

A growing trend not only in Congress but in several states is to require or call for or require divestment of shares of firms that have invested in Iran's energy sector (at the same levels considered sanctionable under the Iran Sanctions Act).⁶⁶ Legislation in the 110th Congress, H.R. 1400, did not require divestment, but requires a presidential report on firms that have invested in Iran's energy sector. Another bill, H.R. 1357, required government pension funds to divest of shares in firms that have made ISA-sanctionable investments in Iran's energy sector and bar government and private pension funds from future investments in such firms. Two other bills, H.R. 2347 (passed by the House on July 31, 2007) and S. 1430, would protect mutual fund and other investment companies from shareholder action for any losses that would occur from divesting in firms that have investing in Iran's energy sector. In the 111th Congress, H.R. 1327, a bill similar to H.R. 2347 of the 110th Congress, was reported out by the Financial Services Committee on April 28, 2009.

Counter-Narcotics

In February 1987, Iran was first designated as a state that failed to cooperate with U.S. anti-drug efforts or take adequate steps to control narcotics production or trafficking. U.S. and U.N. Drug Control Program (UNDCP) assessments of drug production in Iran prompted the Clinton Administration, on December 7, 1998, to remove Iran from the U.S. list of major drug producing countries. This exempts Iran from the annual certification process that kept drug-related U.S. sanctions in place on Iran. According to several governments, over the past few years Iran has augmented security on its border with Afghanistan in part to prevent the flow of narcotics from that country into Iran. Britain has sold Iran some night vision equipment and body armor for the counter-narcotics fight. Iran also reportedly is providing aid to Afghan farmers to grow crops other than poppy.

Travel-Related Guidance

Use of U.S. passports for travel to Iran is permitted. Iranians entering the United States are required to be fingerprinted, and Iran has imposed reciprocal requirements. In May 2007, the State Department increased its warnings about U.S. travel to Iran, based largely on the arrests of the dual Iranian-American nationals discussed earlier.

Status of Some U.S.-Iran Assets Disputes

Iranian leaders continue to assert that the United States is holding Iranian assets, and that this is an impediment to improved relations. A U.S.-Iran Claims Tribunal at the Hague continues to arbitrate cases resulting from the 1980 break in relations and freezing of some of Iran's assets. Major cases yet to be decided center on hundreds of Foreign Military Sales (FMS) cases between the United States and the Shah's regime, which Iran claims it paid for but were unfulfilled. About \$400 million in proceeds from the resale of that equipment was placed in a DOD FMS account, and about \$22 million in Iranian diplomatic property remains blocked, although U.S. funds have been disbursed—credited against the DOD FMS account—to pay judgments against Iran for past

⁶⁶ For information on the steps taken by individual states, see National Conference of State Legislatures. State Divestment Legislation.

acts of terrorism against Americans. Other disputes include the mistaken U.S. shoot-down on July 3, 1988, of an Iranian Airbus passenger jet (Iran Air flight 655), for which the United States, in accordance with an ICJ judgment, paid Iran \$61.8 million in compensation (\$300,000 per wage earning victim, \$150,000 per non-wage earner) for the 248 Iranians killed. The United States has not compensated Iran for the airplane itself. As it has in past similar cases, the Administration has opposed a terrorism lawsuit against Iran by victims of the U.S. Embassy Tehran seizure on the grounds of diplomatic obligation.⁶⁷

Conclusion

Mistrust between the United States and Iran's Islamic regime has run deep almost three decades and many argue that it is unlikely to be quickly overcome, even if the Obama Administration initiates—and Iran accepts—comprehensive direct talks with Iran. As noted, that possibility might have been made more remote by the now violent dispute over the June 12 presidential election in Iran. Despite the internal power struggle, many experts say that all factions in Iran are united on major national security issues and that U.S.-Iran relations might not improve unless or until the Islamic regime is removed or moderates substantially, even if a nuclear deal is reached and implemented. Many experts believed that Iran has become emboldened by the installation of pro-Iranian regimes in Iraq and Afghanistan, and the new strength of Hezbollah in Lebanon and Hamas in Gaza, and that Iran now seeks to press its advantage to strengthen regional Shiite movements and possibly drive the United States out of the Gulf. Others reach an opposite conclusion, stating that Iran now feels more encircled than ever by pro-U.S. regimes and U.S. forces guided by a policy of pre-emption, and Iran is redoubling its efforts to develop WMD and other capabilities to deter the United States. Some say that, despite Ahmadinejad's presidency, the United States and Iran have a common interest in stability in the Persian Gulf and South Asia regions in the aftermath of the defeat of the Taliban and the regime of Saddam Hussein and that major diplomatic overtures might now yield fruit.

⁶⁷ See CRS Report RL31258, *Suits Against Terrorist States by Victims of Terrorism*, by Jennifer K. Elsea.

Figure 1. Structure of the Iranian Government

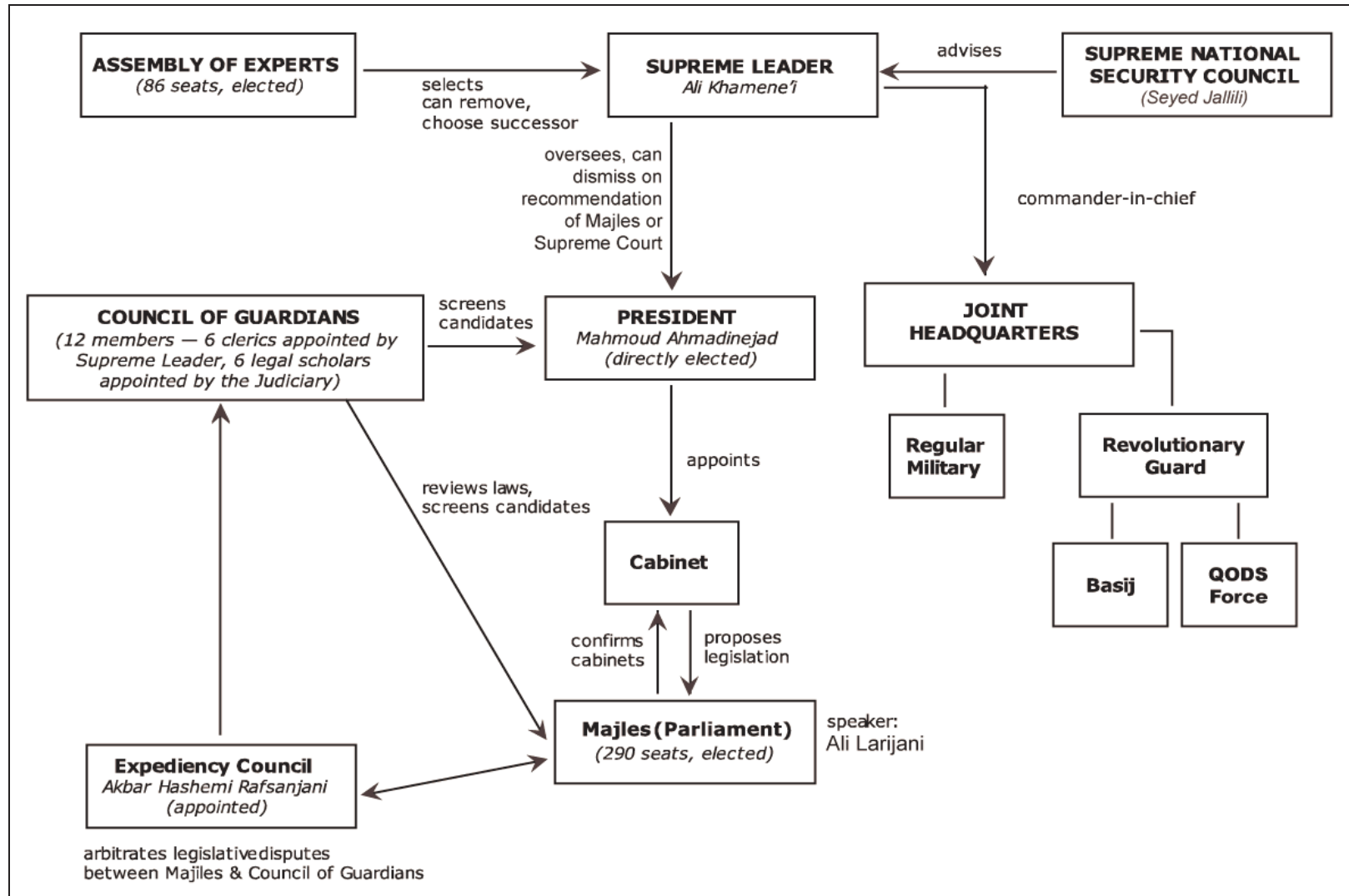


Figure 2. Map of Iran



Source: Map Resources. Adapted by CRS (April 2005).

Table 10. Entities Sanctioned Under U.N. Resolutions and U.S. Laws and Executive Orders

(Persons listed are identified by the positions they held when designated; some have since changed.)

Entities Named for Sanctions Under Resolution 1737		
Atomic Energy Organization of Iran (AEIO)	Mesbah Energy Company (Arak supplier)	Kalaye Electric (Natanz supplier)
Pars Trash Company (centrifuge program)	Farayand Technique (centrifuge program)	Defense Industries Organization (DIO)
7 th of Tir (DIO subordinate)	Shahid Hemmat Industrial Group (SHIG)—missile program	Shahid Bagheri Industrial Group (SBIG) missile program
Fajr Industrial Group (missile program)	Mohammad Qanadi, AEIO Vice President	Behman Asgarpour (Arak manager)
Dawood Agha Jani (Natanz official)	Ehsan Monajemi (Natanz construction manager)	Jafar Mohammadi (adviser to AEIO)
Ali Hajinia Leilabadi (director of Mesbah Energy)	Lt. Gen. Mohammad Mehdi Nejad Nouri (Malak Ashtar University of Defence Technology rector)	Gen Hosein Salimi (Commander, IRGC Air Force)
Ahmad Vahid Dastjerdi (head of Aerospace Industries Org., AIO)	Reza Gholi Esmaeli (AIO official)	Bahmanyar Morteza Bahmanyar (AIO official)
Maj. Gen. Yahya Rahim Safavi (Commander in Chief, IRGC)		
Entities Added by Resolution 1747		
Ammunition and Metallurgy Industries Group (controls 7 th of Tir)	Esfahan Nuclear Fuel Research and Production Center and Esfahan Nuclear Technology Center	Kavoshyar Company (subsidiary of AEIO)
Parchin Chemical Industries (branch of DIO)	Karaj Nuclear Research Center	Novin Energy Company
Cruise Missile Industry Group	Bank Sepah (funds AIO and subordinate entities)	Sanam Industrial Group (subordinate to AIO)
Ya Mahdi Industries Group	Qods Aeronautics Industries (produces UAV's, para-gliders for IRGC asymmetric warfare)	Pars Aviation Services Company (maintains IRGC Air Force equipment)
Sho'a Aviation (produces IRGC light aircraft for asymmetric warfare)	Fereidoun Abbasi-Davani (senior defense scientist)	Mohasen Fakrizadeh-Mahabai (defense scientist)
Seyed Jaber Safdari	Amir Rahimi	Mohsen Hojati

(Natanz manager)	(head of Esfahan nuclear facilities)	(head of Fajr Industrial Group)
Mehrdada Akhlaghi Ketabachi (head of SBIG)	Naser Maleki (head of SHIG)	Ahmad Derakshandeh (head of Bank Sepah)
Brig. Gen. Morteza Reza'i (Deputy commander-in-chief, IRGC)	Vice Admiral Ali Akbar Ahmadiyan (chief of IRGC Joint Staff)	Brig. Gen. Mohammad Reza Zahedi (IRGC ground forces commander)
Rear Admiral Morteza Safari (commander, IRGC Navy)	Brig. Gen. Mohammad Hejazi (Basij commander)	Brig. Gen. Qasem Soleimani (Qods Force commander)
Gen. Mohammad Baqr Zolqadr (IRGC officer serving as deputy Interior Minister)		
Entities Added by Resolution 1803		
Thirteen Iranians named in Annex I to Resolution 1803; all reputedly involved in various aspects of nuclear program	Abzar Boresh Kaveh Co. (centrifuge production)	Barzaganin Tejaral Tavanmad Saccal
Electro Sanam Co.	Ettehad Technical Group (AIO front co.)	Industrial Factories of Precision
Jabber Ibn Hayan	Joza Industrial Co.	Khorasan Metallurgy Industries
Niru Battery Manufacturing Co. (Makes batteries for Iranian military and missile systems)	Pshgam (Pioneer) Energy Industries	Safety Equipment Procurement (AIO front, involved in missiles)
Tamas Co. (involved in uranium enrichment)		
Entities Designated Under U.S. Executive Order 13382 (many designations coincident with designations under U.N. resolutions)		
Entity	Date Named	
Shahid Hemmat Industrial Group (Iran)	June 2005, Sept. 07	
Shahid Bakeri Industrial Group (Iran)	June 2005, Feb. 2009	
Atomic Energy Organization of Iran	June 2005	
Novin Energy Company (Iran)	January 2006	
Mesbah Energy Company (Iran)	January 2006	
Four Chinese entities: Beijing Alite Technologies, LIMMT Economic and Trading Company, China Great Wall Industry Corp, and China National Precision Machinery Import/Export Corp.	June 2006	
Sanam Industrial Group (Iran)	July 2006	

Ya Mahdi Industries Group (Iran)	July 2006
Bank Sepah (Iran)	January 2007
Defense Industries Organization (Iran)	March 2007
Pars Trash (Iran, nuclear program)	June 2007
Farayand Technique (Iran, nuclear program)	June 2007
Fajr Industries Group (Iran, missile program)	June 2007
Mizan Machine Manufacturing Group (Iran, missile prog.)	June 2007
Aerospace Industries Organization (AIO) (Iran)	Sept. 2007
Korea Mining and Development Corp. (N. Korea)	Sept. 2007
Islamic Revolutionary Guard Corps (IRGC)	October 21, 2007
Ministry of Defense and Armed Forces Logistics	October 21, 2007
Bank Melli (Iran's largest bank, widely used by the Guard); Bank Melli Iran Zao (Moscow); Melli Bank PC (U.K.)	October 21, 2007
Bank Kargoshaee	October 21, 2007
Arian Bank (joint venture between Melli and Bank Saderat). Based in Afghanistan	October 21, 2007
Bank Mellat (provides banking services to Iran's nuclear sector); Mellat Bank SB CJSC (Armenia). Reportedly has \$1.4 billion in assets in UAE	October 21, 2007
Persia International Bank PLC (U.K.)	October 21, 2007
Khatam ol Anbiya Gharargah Sazendegi Nooh (Revolutionary Guard construction, contracting arm, with \$7 billion in oil, gas deals	October 21, 2007
Oriental Oil Kish (Iranian oil exploration firm)	October 21, 2007
Ghorb Karbala; Ghorb Nooh (synonymous with Khatam ol Anbiya)	October 21, 2007
Sepasad Engineering Company (Guard construction affiliate)	October 21, 2007
Omran Sahel (Guard construction affiliate)	October 21, 2007
Sahel Consultant Engineering (Guard construction affiliate)	October 21, 2007
Hara Company	October 21, 2007
Gharargahe Sazandegi Ghaem	October 21, 2007
Bahmanyar Morteza Bahmanyar (AIO, Iran missile official, see above under Resolution 1737)	October 21, 2007
Ahmad Vahid Dastjerdi (AIO head, Iran missile program)	October 21, 2007
Reza Gholi Esmaeli (AIO, see under Resolution 1737)	October 21, 2007
Morteza Reza'i (deputy commander, IRGC) See also Resolution 1747	October 21, 2007
Mohammad Hejazi (Basij commander). Also, Resolution 1747	October 21, 2007
Ali Akbar Ahmadian (Chief of IRGC Joint Staff). Resolution 1747	October 21, 2007
Hosein Salimi (IRGC Air Force commander). Resolution 1737	October 21, 2007
Qasem Soleimani (Qods Force commander). Resolution 1747	October 21, 2007
Future Bank (Bahrain-based but allegedly controlled by Bank Melli)	March 12, 2008
Yahya Rahim Safavi (former IRGC Commander in Chief	July 8, 2008
Mohsen Fakrizadeh-Mahabadi (senior Defense Ministry scientist)	July 8, 2008
Dawood Agha-Jani (head of Natanz enrichment site)	July 8, 2008

Mohsen Hojati (head of Fajr Industries, involved in missile program)	July 8, 2008
Mehrdada Akhlaghi Ketabachi (heads Shahid Bakeri Industrial Group)	July 8, 2008
Naser Maliki (heads Shahid Hemmat Industrial Group)	July 8, 2008
Tamas Company (involved in uranium enrichment)	July 8, 2008
Shahid Sattari Industries (makes equipment for Shahid Bakeri)	July 8, 2008
7 th of Tir (involved in developing centrifuge technology)	July 8, 2008
Ammunition and Metallurgy Industries Group (partner of 7 th of Tir)	July 8, 2008
Parchin Chemical Industries (deals in chemicals used in ballistic missile programs)	July 8, 2008
Karaj Nuclear Research Center	August 12, 2008
Esfahan Nuclear Fuel Research and Production Center (NFRPC)	August 12, 2008
Jabber Ibn Hayyan (reports to Atomic Energy Org. of Iran, AEIO)	August 12, 2008
Safety Equipment Procurement Company	August 12, 2008
Joza Industrial Company (front company for Shahid Hemmat Industrial Group, SHIG)	August 12, 2008
Islamic Republic of Iran Shipping Lines (IRISL) and 18 affiliates, including Val Fajr 8; Kazar; Irinvestship; Shipping Computer Services; Iran o Misr Shipping; Iran o Hind; IRISL Marine Services; Iriatal Shipping; South Shipping; IRISL Multimodal; Oasis; IRISL Europe; IRISL Benelux; IRISL China; Asia Marine Network; CISCO Shipping; and IRISL Malta	September 10, 2008
Firms affiliated to the Ministry of Defense, including Armament Industries Group; Farasakht Industries; Iran Aircraft Manufacturing Industrial Co.; Iran Communications Industries; Iran Electronics Industries; and Shiraz Electronics Industries	September 17, 2008
Export Development Bank of Iran. Provides financial services to Iran's Ministry of Defense and Armed Forces Logistics	October 22, 2008
Assa Corporation (alleged front for Bank Melli involved in managing property in New York City on behalf of Iran)	December 17, 2008
11 Entities Tied to Bank Melli: Bank Melli Iran Investment (BMIIC); Bank Melli Printing and Publishing; Melli Investment Holding; Mehr Cayman Ltd.; Cement Investment and Development; Mazandaran Cement Co.; Shomal Cement; Mazandaran Textile; Melli Agrochemical; First Persian Equity Fund; BMIIC Intel. General Trading	March 3, 2009
Entities Sanctioned Under Executive Order 13224 (Terrorism Entities)	
Qods Force	October 21, 2007
Bank Saderat (allegedly used to funnel Iranian money to Hezbollah, Hamas, PIJ, and other Iranian supported terrorist groups)	October 21, 2007
Al Qaeda Operatives in Iran: Saad bin Laden; Mustafa Hamid; Muhammad Rab'a al-Bahtiyti; Alis Saleh Husain	Jan. 16, 2009
Entities Sanctioned Under the Iran Non-Proliferation Act and other U.S. Proliferation Laws	
Norinco (China). For alleged missile technology sale to Iran.	May 2003
Taiwan Foreign Trade General Corporation (Taiwan)	July 4, 2003
Tula Instrument Design Bureau (Russia). For alleged sales of laser-guided artillery shells to Iran.	September 17, 2003
13 entities sanctioned including companies from Russia, China, Belarus, Macedonia, North Korea, UAE, and Taiwan.	April 7, 2004
14 entities from China, North Korea, Belarus, India (two nuclear scientists, Dr. Surendar and Dr. Y.S.R. Prasad), Russia, Spain, and Ukraine.	September 29, 2004
14 entities, mostly from China, for alleged supplying of Iran's missile program. Many, such as	December 2004

North Korea's Changgwang Sinyong and China's Norinco and Great Wall Industry Corp, have been sanctioned several times previously. Newly sanctioned entities included North Korea's Paeksan Associated Corporation, and Taiwan's Ecoma Enterprise Co.	and January 2005
9 entities, including those from China (Norinco yet again), India (two chemical companies), and Austria. Sanctions against Dr. Surendar of India (see September 29, 2004) were ended, presumably because of information exonerating him.	December 26, 2005
7 entities. Two Indian chemical companies (Balaji Amines and Prachi Poly Products); two Russian firms (Rosobornexport and aircraft manufacturer Sukhoi); two North Korean entities (Korean Mining and Industrial Development, and Korea Pugang Trading); and one Cuban entity (Center for Genetic Engineering and Biotechnology).	August 4, 2006
9 entities. Rosobornesksport, Tula Design, and Komna Design Office of Machine Building, and Alexei Safonov (Russia); Zibo Chemical, China National Aerotechnology, and China National Electrical (China). Korean Mining and Industrial Development (North Korea) for WMD or advanced weapons sales to Iran (and Syria).	January 2007
14 entities, including Lebanese Hezbollah. Some were penalized for transactions with Syria. Among the new entities sanctioned for assisting Iran were Shanghai Non-Ferrous Metals Pudong Development Trade Company (China); Iran's Defense Industries Organization; Sokkia Company (Singapore); Challenger Corporation (Malaysia); Target Airfreight (Malaysia); Aerospace Logistics Services (Mexico); and Arif Durrani (Pakistani national).	April 23, 2007
13 entities: China Xinshidai Co.; China Shipbuilding and Offshore International Corp.; Huazhong CNC (China); IRGC; Korea Mining Development Corp. (North Korea); Korea Taesong Trading Co. (NK); Yolin/Yullin Tech, Inc. (South Korea); Rosoboronexport (Russia sate arms export agency); Sudan Master Technology; Sudan Technical Center Co; Army Supply Bureau (Syria); R and M International FZCO (UAE); Venezuelan Military Industries Co. (CAVIM);	October 23, 2008
Entities Designated as Threats to Iraqi Stability under Executive Order 13438	
Ahmad Forouzandeh. Commander of the Qods Force Ramazan Headquarters, accused of fomenting sectarian violence in Iraq and of organizing training in Iran for Iraqi Shiite militia fighters	January 9, 2008
Abu Mustafa al-Sheibani. Iran based leader of network that funnels Iranian arms to Shiite militias in Iraq.	January 9, 2008
Isma'il al-Lami (Abu Dura). Shiite militia leader, breakaway from Sadr Mahdi Army, alleged to have committed mass kidnappings and planned assassination attempts against Iraqi Sunni politicians	January 9, 2008
Mishan al-Jabburi. Financier of Sunni insurgents, owner of pro-insurgent Al-Zawra television, now banned	January 9, 2008
Al Zawra Television Station	January 9, 2008

Author Contact Information

Kenneth Katzman
Specialist in Middle Eastern Affairs
kkatzman@crs.loc.gov, 7-7612